Legal & General Group Plc
26 August 2024

Tough choices facing the ‘Bank of Family’

- Gifting hits record high of £9.2bn this year (up from £8.1bn in 2023), with average contributions up to £27,400 (£25,600 in 2023)
- Majority of recent or prospective ‘Bank of Family’ recipients said they would have to delay their home purchase without the generosity of family, and one in ten would not be able to buy at all
- Gifting from parents and grandparents is set to soar with contributions predicted to hit £11.3bn by 2026
- One in seven (15%) recipients have prioritised a home now over pension saving, while half of family members (49%) feel less financially secure after gifting

Financial gifts from the ‘Bank of Family’ to support home purchases are projected to reach £9.2 billion this year, and fund 42% of all homes purchased by buyers under 55: according to new research and forecasts from Legal & General and the Centre for Economics and Business Research (Cebr)[1]. With average contributions hitting £27,400, this is the highest amount families have gifted since Legal & General began its research in 2016.

This increasing reliance on the ‘Bank of Family’ underlines the challenges faced by would-be buyers who don’t have access to family support. The majority of recent or prospective ‘Bank of Family’ recipients said they would have to delay their home purchase without financial help. One in five (21%) said they would have to delay their home purchase by more than five years, while one in 10 (9%) first-time buyers would not be able to buy at all.

The ‘Bank of Family’ is digging deeper

With family contributions becoming increasingly essential for property purchases, more relatives are now being called upon to support aspiring homebuyers. Of the 335,000 property purchases the Bank of Family supports - 204,000 are funded with assistance from parents, 42,000 are bought with funds from grandparents, and 88,900 from other family members or friends.

While the majority say they use cash savings to help their loved ones to buy (48%), 40% use ISA savings and investments, and 12% are tapping into pension savings, taking a cash lump sum from their pension pot to help.

Property wealth remains another key source of gifted funds within almost one in five families (19%), either through downsizing (12%), equity release (8%), remortgaging (4%) or a combination of these.

Half of family members (49%) providing financial support say giving the money has left them feeling less secure about their own financial position. A further one in ten (11%) say giving money has negatively impacted their standard of living.

Families offering rent-free living to boost deposits

To ease the financial burden, families are looking for other ways to help loved ones save for a house. More than a third (35%) of relatives have welcomed adult family members to live with them rent-free. A further 39% are open to providing similar support to their adult children in the future. Legal & General estimates that buyers save an average of £32,600 when living with family members, which they can put towards their deposit.

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[1]The Bank of Family research was compiled using primary survey data as well as existing data sources relating to the housing market. The survey work was carried out by YouGov. For the survey of borrowers, the total sample size was 2,506 adults who have purchased a home in the past five years or are considering purchasing a home in the next five years. For the lenders survey, the total sample size was 2,017 adults aged 55+ with children or grandchildren aged 16+. Fieldwork for both surveys was undertaken between 26th June and 2nd July 2024. In order to arrive at the overall value of the Bank of Family (in terms of the value of lending), we used data from the survey to obtain the share of transactions supported and the average value of the assistance. This was then scaled up using Centre for Economics and Business Research (Cebr) forecasts for total property transactions. The underlying data for property transactions come from HMRC and are published as National Statistics.

Property or pension? Young people are weighing up their financial priorities

In addition to saving on living expenses, young people are having to make tough choices to build a deposit, including cutting back on pension saving. For recent and prospective homeowners, one in seven (15%) have paused, stopped, reduced or have never saved into a pension in order to prioritise buying a home. This increases to one in five (19%) for first-time buyers, potentially compromising their retirement outcomes.

While getting on the housing ladder is an important and exciting step for many, it's important to take advice to understand and balance the potential long-term impact of pausing, delaying or opting out of pension saving. Calculations from Legal & General reveal that pausing pension contributions at age 30 for even one year could result in £8,068 less in retirement savings, and a four-year pause could cut pensions by £31,868[2].

Bernie Hickman, CEO, Legal & General Retail: "This research shows that families across the generations are facing tough decisions as they try to balance the aspirations of today, with the needs of tomorrow. We need to look at what could help all generations achieve better financial security, enabling them to build savings and assets today, and sustain their financial adequacy through their later years too. Almost a quarter of families are using property wealth to help younger generations onto the property ladder, but this option isn't available for everyone.

"When people are making difficult and complex choices like these, understanding all the options, and what the long-term impact of choices might be, is really vital. We and other providers have lots of education tools and resources available, such as our Guide to Gifting, and our podcast, A Little Bit Richer, which is aimed at a younger audience. This is also where getting professional advice can be very valuable; an adviser can help you understand all your options."

The regional picture

Over half (52%) of recent home purchasers in London received financial support from their families and friends, receiving £30,800 on average to fund their purchase. But average financial support is even higher in the East of England and the South East at £31,000 and £31,300, respectively, with homeowners in the South West receiving the highest financial backing at £32,900. Homeowners in Scotland and the North West received the least financial support from their family and friends at £21,000 and £20,100, respectively. The regional trends in the level of funding provided to aspiring homeowners is partially reflective of regional property prices, with the South having higher house prices relative to the North.

Looking to the near-future, family contributions are set to rise to a staggering £11.3bn by 2026, with the average contribution estimated to hit £29,943.

-ENDS-

[2]**Calculations are based on the following assumptions:**
- AE minimum contributions, total of 8%
- Current LEL and UEL in place, and assumed to increase with CPI inflation
- Pause in pension contributions begins in every scenario at age 30, for a range of 1-4 years
- Tax relief at applicable marginal rate
- FT employee assumed throughout projection
- Latest ONS median and 90th percentile salary data used for men and women at a range of ages. And assumed to increase with CPI inflation
- 60/40 investment strategy assumed to provide 3.7% real return p.a.
- CPI assumption of 3% p.a.

Notes to editors

About Legal & General plc

Established in 1836, Legal & General is one of the UK's leading financial services groups and a major global investor, with £1.2 trillion in total assets under management (as at FY23) of which c40% (circa £0.5 trillion) is international.

We have a highly synergistic business model, which continues to drive strong returns. We are a leading international player in Institutional Retirement, in Retail Savings and Protection, and in both public and private markets through our Asset Management division. Across the Group, we are committed to responsible investing and dedicated to serving the long-term savings and investment needs of customers and society.

As at 7 June 2024, we estimate the Group's Solvency II coverage ratio to be 224%.

As at 11 June 2024, Legal & General has a market capitalisation of £14.6 billion.

About Legal & General Retail

Legal & General Retail helps create brighter financial futures for all our customers. The division covers the savings, protection and retirement needs of our c.14 million retail policyholders and workplace members.
In 2023, we had total individual annuity sales of £1,431 million, and issued £299 million of Lifetime Mortgages and Retirement Interest Only Mortgages. Our Workplace pension platform served 5.2 million members, while our Protection businesses gave peace of mind to several million direct, group and US customers, taking in £1,991 million of UK and $1,584 million of US gross written premiums.

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