



Generation Gift: Older family members spending an additional £1.9 billion to support younger generation through the pandemic

- 5.5 million parents expect to offer additional financial support to younger family members due to Covid-19, providing loved ones with an extra £1.9 billion
- More than a third (39%) of young adults who already receive regular cash from family depend on it to get by, with older family members individually spending £113 a month on support – a collective £372 million
- Nearly half (46%) of older people in the UK provide financial support to family

5.5 million older family members expect to provide additional financial support to younger members as a direct result of Covid-19, new research from Legal & General Retail Retirement has shown¹. 15% of the older generation estimate they will provide an additional sum of £353 in financial aid, meaning £1.9 billion could be given to younger family members needing financial support through the pandemic.

This Covid-19 specific support comes in addition to regular ongoing financial support provided by older family members. Over a third (39%) of young adults, around 3.3 million people, receive regular financial support from their older family members and depend on it to cover their monthly outgoings. Older family members provide on average £113 a month, collectively giving £372 million to loved ones each month in the form of regular gifts.

While the majority (31%) say they use monthly gifts to save for 'big ticket' items like a housing deposit, over a quarter use it to pay for everyday essentials (29%) and a similar amount to pay their bills (27%).

Despite the significant sums handed out, 80% of older family members who gift money feel it is only natural to provide support to their younger relatives and are more than happy to do so.

Heading home

Of the 50% of adults who have received financial aid from a family member, many have sought further support during this year. 16% have utilised the government furlough scheme, 15% moved back to their family home to live rent free and 13% have taken out a one-off loan. The trend of younger family members moving back home is becoming more common, with the most recent data from the ONS showing that over the last two decades, there has been a 46% increase in the number of young people aged 20-34 living with their parents, up to 3.5 million from 2.4 million².

“Parents and grandparents often provide support for large one-off lump sums, such as housing deposits, but the older generation is also relied on as a vital source of

regular monthly support. On average, an older family member already provides £113 each month, and following Covid-19, many expect to spend an additional £353 overall to help their family through the pandemic. This routine support is crucial for many younger people, with some using it to pay for bills and everyday essentials, as well as big ticket purchases. This is clearly a careful balancing act for the older generation financially, but for many, it's also a positive experience. We spoke to a number of families who regularly provide financial support to their children, and children's children; many told us how amazing it was to see loved ones enjoy the money, which underlines the potential benefits of gifting, when done properly.”

Claire Singleton, CEO of Legal & General Home Finance

Making sacrifices

While the majority (62%) of those who give away money do so knowing they can afford to maintain their current lifestyle, the research suggests that selfless relatives are occasionally making changes to their own finances to meet the expense. Over a third (38%) of those who gift money to family members have made sacrifices in order to do so. Whilst many reported cutting back on some day-to-day spending (31%) in order to gift money, a fifth (21%) admitted they struggled to pay some bills having helped out a loved one.

“Most parents and grandparents will gladly help out when they can, but people are often making personal compromises to provide this support. Giving money to a family member has the potential to be a special experience, but the key is not to lose sight of your longer-term plan. There is a risk that people could be underestimating what they need to fund a comfortable retirement, and therefore it's important to gift sensibly. Utilising property wealth, by either downsizing or using equity release, can often be helpful here as it allows the opportunity to give a living inheritance without touching your income. These decisions aren't easy, and the tax rules mean gifting money can be complicated. When gifting, HMRC stipulates you must be able to maintain your current standard of living from your remaining income to take advantage of tax exemptions and there are tax implications for anything gifted over the £3,000 annual allowance. Be sure to do your research, free information from the Money Advice Service is a great place to start, or, if gifting is likely to have an impact on your retirement income, turning to an adviser may be the right path.”

Claire Singleton, CEO of Legal & General Home Finance

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1. Opinium Research ran a series of online interviews among a nationally representative panel of 4,001 UK adults between the 25th September and 3rd October 2020

2. <https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/families/datasets/youngadultslivingwiththeirparents>

Notes to Editors

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