



Over-55s feeling the pinch helping family onto housing ladder

Over 50,000 Bank of Mum and Dad transactions set to be supported by pension savings 14% of transactions will be supported by the over-55s releasing their own property wealth.

Almost one in five parents and grandparents aged over 55 are accepting a lower standard of living to help their loved ones onto the housing ladder, [research](#) by Legal & General and Cebr has revealed. The FTSE 100 company's 'Bank of Mum and Dad' (BoMaD) research found that 17% of BoMaD 'lenders' either would be, or already are, worse off as a result of providing financial assistance to loved ones. One in ten (10%) also said they felt less financially secure and 4% actually postponed retirement after supporting family or friends onto the housing ladder. Based on the average contribution by BoMaD, an over-55 household would be £18,000 worse off after providing financial support.

The number of 'lenders' accepting a lower standard of living was higher amongst those approaching retirement, including over a quarter (27%) of those aged between 55 and 64. Despite this, thousands will still help their loved ones using pension savings or income in 2018, with over 50,000 transactions partly or wholly funded by those cashing in their pension pots to provide a lump sum for a deposit and nearly 23,000 supported by individuals using their annuity income.

This year, the Bank of Mum and Dad is increasingly using equity release to help the homeownership ambitions of relatives. Legal & General's research found that nearly 44,000 housing transactions, roughly 14% of all BoMaD transactions, were partly or wholly supported by equity release, nearly double the number using annuities and over twice as many as those relying on taking out a loan. However, it remains a largely underutilised source of funding, with just 4% of over 55s saying they had used equity release.

The research also found that BoMaD lenders were unlikely to take advice in regard to the impact their giving may have on their own financial future. Before gifting money to help family or friends onto the housing ladder, more than three-quarters (77%) did not speak to a professional adviser or even seek information online.

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Chris Knight, CEO Legal & General Retail Retirement

Tuesday, 28 August 2018

Chris Knight, CEO, Legal & General Retail Retirement, said: “The Bank of Mum and Dad continues to play a major role in the housing market, but the support many people provide is leaving them feeling the pinch as they approach retirement. This generation is helping family or friends onto the housing ladder, but they don’t necessarily have the wealth to do so without impacting their own retirement plans, and they should get advice to make sure this won’t leave them short of funds.

“After years of record lows, increases in the base interest rate also provide the added challenge of a rising cost of borrowing. Nearly a fifth of those aged 55 and over face a lower standard of living after helping loved ones onto the housing ladder, with one in ten also feeling less safe about their financial future at a critical stage in their lives.

“The good news is that more people are looking at the alternatives. Property wealth has the potential to be a transformative force for so many people in retirement and, as this research shows, more people are now using lifetime mortgages to provide a ‘living inheritance’ that is, transforming the lives of their loved ones.”

Other key findings from Legal & General’s “Bank of Mum and Dad” research include:

- Women (14%) were twice as likely as men (7%) to be concerned about their financial circumstances after gifting money
- More than a quarter of women (26%) accepted a lower standard of living after providing financial support, double the share of men (13%)
- 20% of BoMaD transactions were partly or wholly supported by ‘lenders’ downsizing

Chris Knight, CEO, Legal & General Retail Retirement, concludes: “Parents and grandparents across the UK are often digging deep into their pension pots to support loved ones, balancing the housing needs of their children and grandchildren with their own retirement goals. Worryingly, in the majority of cases these individuals aren’t taking advice before they ‘lend’.

“Addressing the housing crisis by delivering more affordable homes is key, but we also need to address the shortfall in retirement planning too. For our sector, financial services, that means rethinking the way we communicate with consumers. It means getting people thinking about retirement income earlier, helping them build their retirement plan and laying out all the options available to them. If we can do this, we can help people to be this generous without leaving themselves short - helping their family onto the property ladder, but also ensuring they have the best retirement they can.”

The findings follow [earlier research](#) released by Legal & General on the size of BoMaD, which is set to be the equivalent of a £5.7bn mortgage lender this year, responsible for more than one in four UK housing transactions in 2018. However, this year also saw BoMaD lenders potentially ‘feeling the pinch’, with the average contribution falling by nearly 20% compared to 2017.

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Notes to editors

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About the Bank of Mum and Dad research 2018

The BoMaD research was compiled using original survey data as well as existing data sources relating to transaction levels. The survey work was carried out by YouGov and Censuswide. For the borrowers the total sample size was 1,002 adults. Fieldwork was undertaken between 5th - 11th April 2018. For the lenders, total sample size was 2,010 adults. Fieldwork was undertaken between 22nd February – 6th March 2018. Both surveys were carried out online. In order to arrive at the overall value of BoMaD (in terms of the value of lending) we used data from the survey to obtain the share of transactions supported by BoMaD and the average value of the assistance. This was then scaled up using Cebr forecasts for total property transactions. The underlying data for property transactions come from the HMRC and are published as a part of national statistics.

Further information (Journalists only)



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