

Generosity of the Bank of Mum and Dad could be leaving Britain's over-55s facing an uncertain retirement

- **Nearly a fifth of over-55s (19%) are generously gifting money because they feel they have a responsibility to help**
- **But 26% of BoMaD lenders are not confident they have enough money to last their retirement after providing support**
- **However, BoMaD lenders are increasingly using equity release to help family with deposits and fund retirement**

Thousands of over-55s are generously gifting money as part of the Bank of Mum and Dad (BoMaD), using savings and even pensions to help their family onto the housing ladder, research from FTSE100 financial services group Legal & General and Cebr has revealed. However, the new data also shows that many people could be accepting a more uncertain retirement after financially supporting family members to buy a home. These latest findings follow earlier research from Legal & General which showed that this year the average BoMaD contribution has risen by more than £6,000, to £24,100. The rise means that the Bank of Mum and Dad is now the equivalent of a top 10 UK mortgage lender, gifting a total of £6.3bn in 2019.¹

Parents and grandparents across the UK are overwhelmingly in favour of supporting their loved ones to buy a home. More than half (56%) of BoMaD lenders who have or would consider helping family to purchase property said they are willing to because 'it was a nice thing to do'. Almost another fifth (19%) said they feel it's their personal responsibility to help out.

The new research shows that when it comes to gifting money, the Bank of Mum and Dad is drawing on a wide range of sources to financially support other family members with a deposit. Although more than half are using cash (53%), 9% are cashing in lump sums from their pension savings, 7% are using their pension drawdown and 6% are drawing on their annuity income to help support their loved ones' homeownership ambitions.

But despite this generosity, digging ever deeper into their retirement savings is leading some over-55s into a more uncertain retirement. Over a quarter (26%) of BoMaD lenders are not confident they have enough money to last retirement after helping their loved ones and 15% have had to accept a lower standard of living. A small number (6%) are even choosing to postpone their retirement.

However, the Bank of Mum and Dad research has also revealed that consumers are increasingly considering other solutions that can help them to support family members but also pay for the retirement they want to lead. Unlocking housing wealth with equity release is becoming more popular with the over-55s and many are now using the money to help with a deposit. 16% of BoMaD lenders have or would release equity and use that money to financially support their children or grandchildren. This makes it the third most popular source of funds for the Bank of Mum and Dad. But BoMaD lenders are using these funds to help with their own retirement ambitions too. More than a quarter (26%) would or have used their housing wealth to fund home renovations and nearly three in every five (58%) parents and grandparents are using it to free up cash to stay in their own home. Across the over-55s

¹ <https://www.ukfinance.org.uk/news-and-insight/blogs/largest-mortgage-lenders-strong-2018-growth-specialist-lending>

surveyed who haven't released property equity already, well over a quarter (29%) said they would consider drawing equity from their home with a lifetime mortgage.

Chris Knight, Chief Executive, Legal & General Retail Retirement said:

"There are a vast range of considerations today's retirees face when it comes to planning their finances, from whether they can afford to help their children buy a home, to setting aside funds for any future care needs they may have. Parents and grandparents across the UK want to see their loved ones settled in homes of their own and are giving generously as part of the Bank of Mum and Dad. Many are using their pensions and savings to help out and unfortunately this could be leaving some facing a poorer retirement, especially if they don't get the right advice.

With these pressures, it makes sense that the financial services industry should help provide solutions to suit a range of circumstances.

Housing wealth has the potential to play a hugely transformative role for both Britain's retirees and the next generation of homeowners. There is around £1 trillion of property equity owned by the over-55s. Not only could this wealth be transferred across the generations to provide a 'living inheritance' for children, but it could also give many retirees the financial freedom they need to enjoy the colourful retirement they really want."

While the Bank of Mum and Dad plays a positive role in helping thousands of people onto the housing ladder, Legal & General also wants to encourage more over-55s to seek professional advice before using their retirement savings to help loved ones. This year's research shows the situation is improving. Last year, just 12% of BoMaD lenders said they had sought professional advice from a mortgage broker, while nearly a third (31%) this year had or would seek advice. However, nearly half of all BoMaD lenders (44%) still hadn't taken (or would not take) any advice at all before gifting money.

Legal & General believes that by supporting more consumers to take advice, they will be in a much better position to make informed decisions about their retirement income and financially supporting the homeownership ambitions of their family.

Chris Knight, CEO, Legal & General Retail Retirement, concludes:

"Thousands are still dependant on the Bank of Mum and Dad to take their first or next step on Britain's housing ladder. The generosity of parents and grandparents is inspiring, but many are making big financial decisions without adequate planning or professional advice.

Retirement is much longer, and much more varied, than it used to be. Gone are the days of 'once and done' retirement decisions. Informed choices in the run-up to, and at the start of, the retirement journey can make a huge difference when it comes to being able to fund the retirement people really want. As an industry, it is crucial that we provide the products and solutions people need in later life, as well as encourage them to seek the support of advisers who can help them navigate this increasingly complex landscape."

Other findings from this year's research included:

- Over-55s are increasingly aware of the benefits of equity release – just 8 out of more than the 1600 respondents said they had never heard of it
- Parents and grandparents in the South West are the most likely to have a good knowledge of equity release (51%) against just a third (33%) of people in London and the North East
- Men are more than twice as likely to postpone retirement (9%) after helping family or friends on to the housing ladder than women (4%)
- However, women are significantly more likely to be concerned that they don't have enough money to last retirement (32%) than men (18%)

ENDS

NOTES TO EDITORS

The information contained in this press release is intended solely for journalists and should not be relied upon by private investors or any other persons to make financial decisions.

FURTHER INFORMATION (JOURNALISTS ONLY)

Deborah Goodier

PR & Communications Director

Legal & General Retail Retirement

Deborah.Goodier@lang.com

Sophie Placido/Nick Seymour

020 7440 8695

landg@rostrum.agency

Legal & General Group

Legal & General Group Established in 1836, Legal & General is one of the UK's leading financial services groups and a major global investor, with international businesses in the US, Europe, Middle East and Asia. With over £1 trillion in total assets under management, we're the UK's largest investment manager for corporate pension schemes and a market leader in pensions de-risking, life insurance and workplace pensions. We have also invested over £19 billion in direct investments such as homes, urban regeneration, clean energy and small business finance.

Legal & General Assurance Society Limited.

Registered in England and Wales No. 00166055.

Registered office: One Coleman Street, London EC2R 5AA.

Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and Prudential Regulation Authority.