

Grayside Financial Services

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Gifting generation

Older family members supporting younger generation through the pandemic

Young people have been one of the worst-affected groups from the coronavirus (COVID-19) pandemic, particularly in terms of the labour market and mental health outcomes. But it's their parents and grandparents who are paying the price financially.

5.5 million older family members expect to provide additional financial support to younger members as a direct result COVID-19, according to new research^[1]. 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

ONGOING FINANCIAL SUPPORT

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.

FINANCIAL AID RECEIVED

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. Of

the 50% of adults who have received financial aid from a family member, many have sought further support during this year.

YOUNGER FAMILY MEMBERS

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 Office for National Statistics 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 million^[2].



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MEETING THE EXPENSE

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.

LONGER-TERM PLAN

If you are planning to give money to a family member it's important not to lose sight of your own 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.

When gifting, HM Revenue & Customs (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. ■

NEED HELP ACHIEVING YOUR FINANCIAL GOALS?

Do you have a financial plan that reflects what's most important to you? This is the time of year when you may be beginning to reflect on your financial choices while making goals for the year ahead. We can help you set your money and life goals and work out your financial milestones, then plot a route to get to them. For more information, please contact us.

Source data:

[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>

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