WEALTH KNOWLEDGE

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MILLENNIALS CHALLENGE THE CONCEPT OF THE BANK OF MUM AND DAD

Almost half (49%) of millennials have provided financial support to their parents in the last year.

The Bank of Mum and Dad is perceived to provide financial support to adult children in times of financial hardship.

Parents have been helping their grown-up children to get a leg up on the property ladder, with £5.7 billion loaned in 2018.

However, the Centre for Economics and Business Research (CEBR) turned the notion of parent-to-child support on its head.

It found that the average 23 to 38-year-old gave £1,161 to family over the last year, while the typical 16 to 22-year-old gave £871.

With younger generations both depositing and withdrawing sums from their parents, it paints a picture of a ‘family bank’.

Paul Stokes, head of products at M&S Bank, said:

“While parents often support their children to get a foot on the property ladder, many younger generations also help parents, and other family members.

“Our findings contrast with the common narrative that financial support in families only flows one way.”

Kay Neufeld, head of macroeconomics at the CEBR, added:

“While parent-to-child support continues to play an important role, there are also significant financial flows from children to parents as well as between siblings.

“From the cost of care and housing to helping out with ongoing bills, many older family members are grateful for any support.”

Contact us to discuss your finances.

NATIONAL AUDIT OFFICE: MOST BUYERS DID NOT NEED HELP-TO-BUY EQUITY LOAN

Most of the households which used the help-to-buy equity loan scheme could have bought property without it.

The National Audit Office (NAO) reported up to 63% of buyers did not require the help-to-buy equity loan to purchase a property.

Among these buyers, 31% could have purchased their ‘ideal home’ without the scheme.

The help-to-buy equity loan scheme offers buyers an equity loan of up to 20% (or 40% in London) of the market value of an eligible new-build property.

This remains interest-free for five years, and the value of the loan changes in proportion to changes in the property’s value.

As of December 2018, 211,000 equity loans had been made through the scheme, with a total value of £11.7 billion.

The report also found that 1 in 25 participants had household incomes of more than £100,000, while 19% of buyers had previously owned a property and used the scheme to buy.

Gareth Davies, head of the NAO, said:

“Help-to-buy has increased home ownership and housing supply, particularly for first-time buyers.

“However, a proportion of participants could have afforded to buy a home without the Government’s help.

“Until we can observe its longer-term effects on the market, we cannot say whether the scheme has delivered value for money.”

Talk to us about your property.

RULES ON GIFTS MADE TO LOVED ONES SHOULD BE SIMPLIFIED, SAYS THE OTS

Fewer people should have to pay tax on gifts made to loved ones in the years before their death, according to the Office for Tax Simplification (OTS).

Under the current rules, inheritance tax of up to 40% is paid when someone dies within seven years of making a gift.

The OTS called on the Treasury to reduce the period at which tax is due on gifts from seven to five years.

The five-year period was chosen to ease the administrative burden for executors of wills, who said it can be difficult to obtain records going back seven years.

Keeping records is worse for individuals who have made gifts into trust, where the relevant period can be up to 14 years.

In addition to reducing the seven-year period to five years, it recommends abolishing the taper relief.

Anyone can give away up to £3,000 a year without the gifts being added to the value of their estate.

Any unused annual exemption can be rolled over to the next tax year, meaning up to £6,000 of exemption could be available.

Gifters can usually hand out gifts to different recipients up to a value of £250, while there are other related exemptions such as one that allows contributions towards wedding costs.

The OTS proposed scrapping a raft of these allowances in favour of introducing a single personal gift allowance, and an increased lower threshold for small gifts.

Kathryn Cearns, chair of the OTS, said:

"We hope that consideration of the ideas explored in this report can help support fruitful dialogue [with the Treasury] about the ways it can and should be improved."

We can help you plan your estate.

OVER-65S FACE TICKING TIME BOMB FOR SOCIAL CARE COSTS

Most people over the age of 65 have not earmarked funds for social care in later life, despite around half of all care users having to cover some of the costs themselves.

Research from the Association of British Insurers (ABI) revealed that 89% of over-65s have made no plans to pay for social care.

This can include help at home with things like washing, dressing, getting out and about, staying in touch with friends and family or moving into a care home. But social care is not free, and most people have to pay some or all of the costs involved.

More than half (51%) of people believed the state pension would be their most likely source of funding, while 26% said they would sell their home to pay for care.

Funding for social care is means tested, with local councils in England providing support for individuals with savings and assets under the threshold of £23,250. This includes the value of their home if they move into a care home.

The Government is due to publish a green paper looking at social care funding, but this has been delayed several times.

The ABI suggests several options to support people self-funding social care, including a tax exemption on pension income used to pay for care and tax-free pension withdrawals for purchasing an insurance product that covers care costs.

Another proposal was to introduce a 'care ISA', which would be exempt from inheritance tax on residual amounts at death.

Yvonne Braun, director of policy at the ABI, said:

"The social care system and how it is funded desperately needs an overhaul. People simply aren't preparing to pay for their care costs and this needs to change. The Government urgently needs to take important decisions on the future of care funding."

Speak to us about funding care costs.

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