Bank of Mum and Dad’s generosity risks leaving pensioners in poverty

Graeme Paton
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Parents are the equivalent of the tenth biggest mortgage lender in Britain, research found ALAMY

The generosity of the Bank of Mum and Dad may leave millions facing poverty when they retire, according to research.

Large numbers of people aged over 55 risked an uncertain retirement after handing out an average of £24,100 to allow their children or grandchildren to buy homes, a study found. More than a fifth of parents or grandparents who supported family members to secure a mortgage did so using their pension pot and more than half used savings.

Researchers said that “digging ever deeper into retirement savings” meant that many older people feared running out of money in later life, being forced to accept a lower standard of living or even working for longer.

Previous research found that parents were the equivalent of the tenth biggest mortgage lender in Britain. An estimated £6.3 billion will be given to family members this year.

The average size of individual contributions is predicted to be £24,100, an increase of £6,000 on last year. The money will be used to buy an estimated 260,000 properties, the study by the financial services company Legal & General and the Centre for Economics and Business Research found.

There is concern that many first-time buyers are struggling to get on the housing ladder because property prices have risen at a far faster rate than wages over the past two decades.

Chris Knight, chief executive of Legal & General retail retirement, said: “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.”

Bank of mum and dad

Parents gifted £6.3bn last year, putting them among the top ten mortgage lenders

Lloyds Banking Group	£42.5bn
Nationwide	£35.7bn
Royal Bank of Scotland	£30.5bn
Santander	£28.3bn
Barclays	£23.1bn
HSBC Bank	£21.5bn
Coventry	£9.2bn
Yorkshire	£8.7bn
Virgin Money	£6.8bn
Parents	£6.3bn

Chart: The Times Source: Legal & General, UK Finance

He added: “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.”

The study found that parents or grandparents were “drawing on a wide range of sources” to financially support other family members to secure a deposit.

The research was based on a survey of 1,600 people aged over 55. It found that 9 per cent of those who gifted money did so by cashing in lump sums from their pension savings. A further 7 per cent used their pension drawdown and 6 per cent used their annuity income. More than half — 53 per cent — used cash savings.

Sixteen per cent of people had or would consider an equity release, a sum borrowed against the value of their own property, to financially support children or grandchildren.

Researchers said, however, that using their retirement savings was leading some people “into a more uncertain retirement”.

More than a quarter — 26 per cent — said that they were not confident that they would have enough money to last into retirement after helping family members and 15 per cent admitted that they would accept a lower standard of living. A little over 5 per cent said that they were even choosing to postpone their retirement owing to a shortage of money.