

progeny

Planning to pass it on

Uncovering attitudes on
intergenerational wealth transfer

established for tomorrow's wealth

Introduction



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CEO of Progeny

Over the past 50 years, a number of specific economic conditions – generous pension schemes, healthy stock market performance, increased home ownership and a steady rise in house prices – have allowed many of the Baby Boomer generation to become wealthy.

Now this generation is in the process of passing their assets on to the generations below. The 'Great Wealth Transfer' will see an estimated £5.5 trillion¹ transfer from the older generation by 2055. For many families this process is already underway.

In this context, we wanted to understand more about the plans people have around inheritance and transferring wealth across generations, how they communicate about it and how they feel about what is often a very emotive subject.

We were also keen to hear from the younger generations – Millennials and Gen Xers – about their expectations for receiving financial gifts or an inheritance and how crucial a part this may play in their own financial future.

Working with YouGov, we conducted a country wide survey to read the national mood. It delivered some interesting results, some which we expected, some that were more of a surprise.

We've focused on five themes to help us understand how the country feels about inheritance and passing on money between the generations: intention; communication; emotion; expectation; and aspiration.

While it's the long-term economic factors that have created the Great Wealth Transfer, we also saw the impact of the current cost-of-living crisis clearly reflected in the responses.

Planning to pass it on presents the findings of our national survey, designed to take the temperature of the nation on intergenerational wealth transfer, which is now a consideration for more families than ever before.

¹ Kings Court trust, 'Passing on the Pounds – The rise of the UK's inheritance economy', 2017
<https://www.kctrust.co.uk/wealthtransfer>

Out of all generations

Only 17%

reported having a formal plan to hand over money to the next generation

Only 3%

had worked with a financial adviser on this

Two-thirds of the population intend to pass on wealth but most don't have a plan

Intention

The majority of the country intends to pass on wealth to the next generations of their family. Our survey found that two-thirds (66%) of the population plan to or have already passed on a significant sum of money to their loved ones.

When asked to name their important longer-term financial ambitions, gifting money to their loved ones when they are alive (46%) and leaving a sizeable financial gift in their will for loved ones (45%) were the second and third most popular answers.

However, of those aiming to provide financial support or inheritance to loved ones, the majority questioned (49%) didn't know, beyond that, what this might look like and how they might do it. 25% said they only had a rough idea of details like who the beneficiaries would be and the amounts they would give them.

Only 17% of those who said they are planning on providing financial support or inheritance to their loved ones reported having a formal plan in place to hand over money to the next generation and only 3% said they had worked with a financial adviser on this.

One fifth of respondents stated that they didn't want to pass on a significant sum of money to their loved ones.

Half (50%) of those questioned were unsure or disagreed that their plans for providing financial support or leaving inheritance to their loved ones were informed by what was best financially for their family as a whole.

Barriers

When they were asked to name the key barriers to providing financial support or passing on inheritance to loved ones, 18% reported that their own lack of knowledge around inheritance planning and inheritance tax was a significant obstacle.

In a reflection of the cost-of-living crisis, 34% said not knowing how much they would need for themselves was having an impact on their decision making, while 33% cited the current economic climate. There were some people for whom passing on their money or assets to the next generations was not a priority at all. 49% felt that using all their money to live life to the full was more important than leaving an inheritance.

Projecting ahead

Taking the longer view provided a different perspective. Inviting respondents to compare their financial concerns and challenges today with those they envisage facing in 10 to 15 years' time showed that they expect a plan around inheritance to become more of a priority in future.

A question of will

A further measure of intentions towards leaving an inheritance can be seen in the proportion of people who have a will in place.

Only 39% of those questioned said they had a will, leaving 61% who were either intending to but had not yet got round to it, had never considered it as they didn't understand the benefits, or of the belief they didn't need one.

What are your important
long term financial aspirations?

45%

**leaving a sizeable
financial gift in their
will for loved ones**

46%

**Gifting money to their
loved ones when
they are alive**

What are your financial concerns/challenges?

Not having a plan in place for inheritance

(i.e., passing wealth to family upon your death).

Now

13%

10/15 years

27%

Amount of inheritance tax you will pay

Now

11%

10/15 years

28%

Amount of inheritance tax your children will pay

Now

8%

10/15 years

30%

Communication levels are low and the younger generation feel uncomfortable discussing intergenerational wealth transfer

Communication

Talking about money within a family can often be difficult, particularly across the generations. Conversations about intergenerational wealth transfer are no different, it seems.

58% of Baby Boomers said they have discussed inheritance or gifting with loved ones, leaving 42% who had yet to do so.

Of those who hadn't had the conversation, 37% - the highest proportion amongst the answers - said they don't ever envisage discussing this with their loved ones.

Even amongst those who did expect to one day talk about passing on money or assets to the generations below, the majority (53%) said they wouldn't tell the beneficiaries the amount they will be receiving and over half (52%) would not be telling them when they would receive it.

There were also differences in how the generations felt about discussing the topic. For Millennials and Generation X, communicating about inheritance with their parents was clearly difficult, with the majority (41%) describing it as 'uncomfortable'.

When those who found it uncomfortable were asked what would make it easier, by far the biggest proportion (67%) said 'nothing, it will always be difficult'.

However, Baby Boomers reported being more at ease in discussing the issue with the generations below, with 73% claiming to be comfortable and 21% uncomfortable.

41%

Millennials and Generation X describe communicating about inheritance as 'uncomfortable'



The financial attitudes of the younger generations affect Babyboomer trust and decisions around inheritance

Emotion

Emotions are powerful drivers of behaviour and they impact many of our financial decisions, particularly on the issue of inheritance planning and intergenerational wealth transfer.

A key finding from our survey showed that, when it comes to inheritance, there is a lack of trust between Baby Boomers and the generations below.

1-in-4 Baby Boomers don't trust the younger generation to use their inheritance wisely and nearly half (48%) of Baby Boomers say the attitudes and priorities of younger generations affect their decision-making around inheritance.

Respondents also reported they were daunted by not knowing where to start and not having an understanding of how much they would need themselves when it came to deciding about transferring their wealth to the next generations.

Fewer than half of (47%) Baby Boomers were confident about making plans or taking financial decisions about transferring wealth, and a third (32%) said they were not confident.

Looking at the process from the opposite direction, around the same proportion of Generation X and Millennials (45%) were confident about making use of any received inheritance, versus 39% who said they were not confident.

More broadly speaking, the general financial anxiety of the younger generations was clearly evident in some of the results. For example, the larger proportion of both Millennials and Generation X did not believe they would be able to take care of their retirement and care needs without their money running out.

1 in 4

**Baby Boomers don't trust
the younger generation to use
inheritance wisely**

48%

Baby Boomers say
**the attitudes and priorities of
younger generations affect
their decision-making
around inheritance**

Many are unclear on the inheritance they can expect

Expectation

Surveying just the older generation on their plans to pass on their wealth would miss out a huge part of the inheritance and intergenerational wealth story. It was important that we spoke to all generations about their expectations and any preparations they have made for receiving an inheritance.

There was an equal split between those expecting to receive a significant financial gift or inheritance from their family or not, with 44% having or expecting to receive one, and 44% not.

Of those expecting to receive inheritance or wealth, when asked how they were planning to use this money, the most popular answers were to build their savings pot (35%), fund retirement (29%) or pay off their mortgage (25%). 1-in-10 said they intended to use it to leave a further financial gift in their will for their family.

Nearly two fifths (38%) of those expecting to receive an inheritance did not know the amount they would be receiving.

Factoring in

When asked if they factor the amount they would be likely to receive into their own financial plans, only 19% of those surveyed said they had, while 68% said they had not.

35% feared that not receiving this sum as a financial gift or inheritance would have a significant impact on their financial plans, while 45% said it wouldn't and 20% didn't know.

These two findings could be seen as a consequence of some of the earlier results on the low levels of communication from Baby Boomers on their intentions and the lack of clarity on the amount they may be leaving to beneficiaries.

If the younger generations don't know what they can expect to receive, they can't include it in their own financial planning.

Living inheritance

Providing a 'living inheritance' is the process of the older generation transferring some or all of their wealth to their loved ones in the generations below while they are still alive, rather than leaving it as a traditional inheritance in their will.

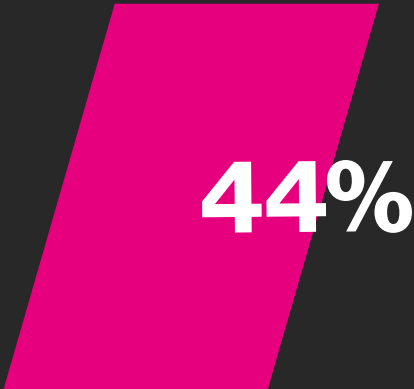
When questioned on this, 43% of respondents replied that they were not planning to provide a living inheritance for loved ones, while a quarter (24%) were. More than 9-in-10 (91%) who are expecting to receive a significant financial gift or inheritance from their family say they will get it only after they have passed away.

Of those who had received some or all of their inheritance, the majority, 68% stated that they hadn't received their substantial financial gift or inheritance while their parents/grandparents or other family members were alive, versus 32% who had.

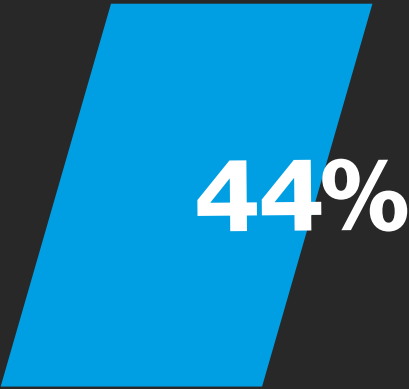
However, a higher proportion of Millennials (64%) and Gen X (40%) said they had received their financial gift or inheritance whilst their parents/family members were alive, in comparison to only 13% of Baby Boomers.

This trend would suggest that living inheritance, although niche, is increasingly becoming popular, and is perhaps a response to the current financial challenges faced by the younger generations.

There was an equal split between those expecting to receive a significant financial gift or inheritance from their family or not



Not expecting anything



Expecting a significant financial gift or inheritance

When asked if they factor the amount they would be likely to receive into their own financial plans

19%

Would factor the amount likely to receive into financial plans

68%

Wouldn't factor the amount likely to receive into financial plans

Longer-term planning on wealth transfer is squeezed out by cost-of-living concerns

Aspiration

Looking ahead, we wanted to understand where gifting or leaving an inheritance fitted in to people's short and long-term financial ambitions.

Financial goals

There was clear evidence of the impact of the cost-of-living crisis in the immediate financial goals of the survey respondents.

The highest proportion (45%) said that ensuring they meet regular financial commitments was their top priority, followed by 35% who wanted to have enough cash in case of emergencies and 29% who were focused on saving enough to enjoy retirement.

Only 6% of respondents selected estate planning as one of their top three financial goals and subsequently it ranked second to last in this list.

Financial challenges

At the top of their list of financial concerns or challenges was the increase in the cost of living (59%), followed by their anxieties over not saving enough (43%) and not having enough for emergencies (39%).

Perhaps understandably, more Millennials were concerned about an increase in daily living costs than the other generations - 78%, compared to 59% of Gen X and 41% of Baby Boomers.

Longer-term aspirations

However, when asked to project further ahead and focus on their longer-term financial aspirations, handing over assets to the next generation figured far more prominently, with 46% hoping to gift money while they were alive to their children or grandchildren and 45% aiming to leave a gift in their will.

Amongst their financial challenges over the next 10-15 years, the second most popular answer (30%) was a concern over the amount of Inheritance tax their children may have to pay.

So inheritance and transferring wealth is on the radar of many of those questioned, but further ahead into the future and obscured by the more pressing demands of their immediate financial concerns in the current economic climate.

There was clear evidence of the impact of the cost-of-living crisis in the immediate financial goals of the survey respondents



29%

Saving enough to enjoy retirement



35%

Having enough cash in case of emergencies



45%

Ensuring they meet regular financial commitments

A large, stylized white percentage sign graphic element, positioned at the bottom right of the page, overlapping with other graphic elements.

0%

When asked to project further ahead and focus on their longer-term financial aspirations



46%

Hoping to gift money while they were alive to their children or grandchildren



45%

Aiming to leave a gift in their will

Planning as a family can lead to better outcomes

Conclusions

The results of this national survey have given us an illuminating snapshot of national attitudes towards inheritance and intergenerational wealth transfer today.

While people have broad intentions to gift money to the generations below, many have yet to formulate a proper financial plan to do this, either while they are alive, or on death.

Some of the biggest barriers to this were a lack of knowledge around how to go about it as well as not knowing how much they, themselves, will need over their lifetimes.

Additionally, of those with a plan for transferring wealth, the majority were unsure whether or not it was the best plan for the family as a whole.

Appetites for communicating and sharing detail around inheritance were low, and the younger generations in particular reported finding the experience uncomfortable.

Emotions were seen to play a significant part in intergenerational wealth transfer, with clear evidence of Baby Boomers' lack of trust of the younger generation and of the impact that the attitudes of Millennials and Gen Xers could have on Baby Boomers' decision-making.

Responses painted a picture of mixed and uncertain expectations amongst the younger generations around receiving wealth from the generation above. This is the inevitable consequence of unclear intentions and low levels of communication between the generations.

Power of planning

Multi-generational planning and professional advice could remove this lack of clarity and allow both generations to plan more effectively, with the younger generations able to prepare and factor into their plans any inheritance they may be due to receive.

Planning as a family is likely to lead to better outcomes for everyone, providing peace of mind and, crucially, helping to build trust and understanding between the generations, which can make what is often a tricky and emotive topic much less difficult to discuss

Living inheritance

While the survey shows that a living inheritance is not something that's recognised or used by the majority, there is evidence that it is becoming more prevalent. At the same time, many are gifting money to children and grandchildren on an ad hoc basis.

Professional financial advice could help the older generation to work out exactly what they would need for themselves, which would allow them to be more decisive and intentional in providing financial assistance in the form of a living inheritance to the generations below.

This gives the beneficiaries some certainty on how much they will be receiving, and when, and can be delivered at a time when they would benefit most from the money, while also allowing the older generation to see the benefits their gift will bring while they are alive.

Current climate

We saw the impact of the cost-of-living crisis clearly reflected in the results.

In this economic climate, it will become even more essential for some families to be providing financial assistance at a time when it's most valuable to the younger generations, and with the peace of mind that they will still have enough for their own needs.

Equally, it is important that the demands of the present day don't distract people from planning effectively for their financial future. The best way to be in a position to leave a financial legacy in the future is to start planning for it today.

Ensuring the next generation have something to pass on in future

Looking ahead

As the Great Wealth Transfer plays out, we will see more families having more complex requirements when it comes to handing on their money and assets to the next generation.

Some may be the first generation of their families to need to plan for intergenerational wealth transfer or prepare for considerations like Inheritance Tax.

A unique set of economic circumstances have allowed the Baby Boomer generation to build up significant levels of wealth, in some cases relatively effortlessly, compared with the generations that went before them. However, without good financial and estate planning around passing it on, the next generations could just as effortlessly lose that wealth.

In these circumstances, financial advice and financial planning will be more important than ever. A plan for the younger generation to receive the money should be as important as a plan for the older generation to give the money.

We have an opportunity to reconsider inheritance and intergenerational wealth transfer planning as a responsibility for both generations to share - those who are giving and those who are receiving - bringing clarity and peace of mind to both.

Creating a joined-up, coordinated plan for giving and receiving an inheritance will help the older generation to pass on wealth effectively when the time comes and ensure today's younger generations have something to pass on in future.

October 2022

All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 1004 adults. Fieldwork was undertaken between 12th - 18th August 2022. The survey was carried out online. The figures have been weighted and are representative of GB adults aged 24 - 74.



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