FOREVER YOUNG: THE NEW LANDSCAPE OF LATER-LIFE PLANNING
The Centre for the Modern Family is a groundbreaking think tank, set up to examine and improve our understanding of the family in the 21st century. We know society is changing significantly – today’s families come in all shapes and sizes. And understanding how family life is changing means we’ll be able to help you prepare for a secure and prosperous future.
In 1970, the average life expectancy stood at 68.7 years for men and 75 for women. Fast forward to today, and men can be expected to live a full decade longer, with average longevity at 78.7 and 82.6 for women.

While this rise in life expectancy is, overall, a positive trend, it does bring with it new challenges in how we prepare for later life.

Indeed, the fact that we are now all living longer has generated great discussion at a political level over recent years, with implications for taxation, the labour market and retirement planning invoking significant interest and engagement.

Our latest report, Forever Young: The New Landscape of Later Life Planning, hones in on these issues through the distinct lens of modern family life, where it is clear that longer lives and careers are having a huge impact on the UK’s ever-changing family unit.

Longer lives means needing a larger amount of money for a longer retirement. This intensifies the financial pressures on families, which are often felt to be short-term or immediate. However there are also a number of questions about how older generations can both enjoy their later lives, and also prepare for any health or lifestyle challenges they and their families may face. For instance, while we are more likely to live longer, staying in good health can never be guaranteed. The Alzheimer’s Society suggests by 2015 there will be 850,000 people with dementia in the UK. By 2025 this figure will surpass one million. This sparks questions around family caring responsibilities and how today’s families will adapt and cope with balancing these duties alongside paid work.

Families support each other up and down the generations in different ways: support down the generations is often financial or providing childcare; support up the generations can often be practical or caring for parents. Longer, more active lives alter this traditional balance.

Therefore, family life in the future is likely to take a very different shape, where both of these practical and financial expectations will need to change. Many who felt they were relying on inheritance may find that it is no longer there due to the costs of later life. Meanwhile, those who hoped for practical childcare support may find the people involved are still working and therefore unable to help.

By examining the evolving picture for today’s families against a backdrop of significant legislative changes, particularly in the form of new pension freedoms due to come into effect in April 2015, the Centre for the Modern Family aims to explore the challenges today’s families face in becoming better prepared for the new landscape of later life.
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INTRODUCTION

Tough financial pressures and remarkable demographic changes are fundamentally changing the dynamic of modern family relationships in Britain today. As people confront the challenges of later-life – in particular, the cost of funding retirement as life expectancies rise – family generations are moving closer together in order to support each other.

Those aspirations remain ambitious. But while people still have high hopes for their retirement, they are also realistic: they are anxious about how they will fund their later-life, particularly given the austerity of recent years, and keenly aware of their responsibilities to the rest of the family.

The pension reforms announced in the March 2014 Budget have the potential to further complicate later-life planning. While the new freedoms offered by the Government on private pension savings are welcomed by many, people need help deciding how they will take advantage. It will not make sense for everyone to access their full retirement savings as the rules will allow from April 2015. And many people will need more help to make the right investment decisions than will be delivered by the free guidance promised by the Government will deliver.

Life expectancy figures are a stark reminder of how later-life is changing. A baby born in 2012 had a 32% chance of living to age 100 according to the Office for National Statistics. For 20-year-olds that year, the figure was only 23% and for 40-year-olds it was just 16%. As people live longer, they will depend on their families much more heavily and in new ways – inheritances, for example, may be much smaller or non-existent.¹

This report, Forever Young: The New Landscape of Later-life Planning, identifies the areas where these issues are most pressing. It concludes that inter-generational relationships are becoming closer, as older and younger generations depend on each other to a greater extent – and that this changing dynamic can be both rewarding and challenging.

This is the third in a series of three reports The Centre for the Modern Family (CMF) is publishing: the first report, Family Generations and Financial Pressures, looked at how the squeeze on family finances is affecting generational relationships, while the second report, Meet the Full Nesters, considered the changing dynamic of modern households amid the growing number of young adults who are still living with their parents.

¹What are the chances of surviving to age 100?, ONS, March 2012
OUR FAMILY GENERATIONS

These reports focus in particular on eight key family generations and demographics – and their relationships with one another. This is not to suggest this is an exhaustive list of all the population segments in the UK today, or that everyone in the UK fits neatly into one of these categories. However, through their focus on these generations, the reports are able to go behind the scenes of the modern family – to explore the way in which financial pressures are affecting family life, from the youngest groups to the oldest, and changing each generation’s aspirations for the future.

GENERATIONAL DEMOGRAPHICS GROUPS

SINGLE RENTERS
Individuals living with friends in rented property.

BOOMERANG KIDS
18 to 34 year-olds still living at home with parents.

CO-HABITING COUPLES
Co-habiting and married couples without children.

PARENTS WITH SCHOOL-AGED CHILDREN
Parents with children under 18 at home.

FULL NESTERS
Parents with grown-up children (over 18) who are still living at home.

EMPTY NESTERS
Parents with grown-up children (over 18) who have left home.

GRANDPARENT CHILD-CARERS
Grandparents providing childcare for family members.

FAMILY CARERS
Individuals providing regular care and support for a relative.
ABOUT THIS RESEARCH

This report is based on both quantitative and qualitative inputs, including a YouGov survey of 2,000 adults, constituting a representative sample of people across the UK, and a series of focus group sessions, also conducted by YouGov. These inputs were subsequently analysed and debated by The Centre for the Modern Family panellists in both group discussions and individual interviews.

The panellists are:

- **Samantha Callan**, Associate Director for Families and Mental Health, Centre for Social Justice
- **Professor Sir Cary Cooper CBE**, Distinguished Professor of Organizational Psychology and Health, Lancaster University Management School
- **James Daley**, Founder, Fairer Finance
- **Liz Fraser**, Parenting Author
- **Reverend Jeremy Fraser**, Area Dean of Newham
- **Emily Holzhausen**, Director of Policy and Public Affairs, Carers UK
- **Sarah Jackson**, Chief Executive, Working Families
- **Richard Jones**, Director of Annuities and Protection Propositions and Bancassurance for the Insurance Division of Lloyds Banking Group
- **Neil Leitch**, Chief Executive, Pre-School Learning Alliance.
KEY FINDINGS

1. BRITONS ARE ASPIRATIONAL, YET REALISTIC ABOUT LATER-LIFE
   Despite the changing demographic and financial landscape, many people still have ambitious aspirations for retirement: three-quarters (74%) of people are determined to remain physically active, while two-thirds (66%) look forward to travelling. One in three (32%) look forward to providing support and childcare to their families.

2. PEOPLE EXPECT TO RECEIVE SUPPORT FROM THEIR FAMILIES
   Almost two-thirds (64%) of people expect to receive emotional support from their families in later-life, though only one-fifth (20%) anticipate receiving financial support.

3. CARE-GIVING IS BOTH REWARDING AND CHALLENGING
   Almost one in four (23%) people have cared for parents in later-life or are currently doing so. More than a third (34%) say the experience has given them a sense of well-being, but 28% say their quality of life has suffered because of their care-giving.

4. FUNDING INTENTIONS ARE PATCHY
   Despite the reforms first announced in the 2014 Budget, annuities look set to remain the single most common solution for funding later-life, though property has an important role to play. But more than a third (37%) of people don’t know how they will meet their costs in retirement or haven’t thought about this issue. Women are much less certain than men.

5. THE DISAPPEARING INHERITANCE
   Britons are determined to stay in their home for as long as possible but fewer than one in 10 (9%) expect to leave property to children. While one in three people (34%) still bank on leaving some inheritance for heirs, more than one in four (28%) do not expect to receive anything at all.
OUR ASPIRATIONS FOR LATER-LIFE

DESPITE THE INTENSE FINANCIAL PRESSURES ON PEOPLE DURING THEIR WORKING LIVES – OR MAYBE BECAUSE OF THESE PRESSURES – BRITONS REMAIN AMBITIOUS ABOUT WHAT THEY WANT TO DO IN RETIREMENT.

WHAT WE WANT TO DO IN LATER LIFE

74% want to remain physically active. 66% want to travel.

Other aspirations shared by a significant number of people include the desire to learn a new skill, get involved in the local community, or even to move somewhere new.

The ambitions people now express for later in life show the shifting dynamics of family relationships. Most notably, the proportion of empty nesters who have especially optimistic aspirations – to travel and remain physically active, for example – is higher than for the other demographics. This may reflect their relatively carefree status currently.

Equally, one in three people expect to spend some of their time in retirement providing support, such as childcare to others in their family. As the other Centre for the Modern Family reports in this series have noted, grandparents now provide very significant amounts of childcare – and our survey suggests this is increasingly seen as the norm.

There is clearly scope for family tensions here. With more parents dependent on the older generation for help with childcare – and the numbers likely to grow further – many people may find their plans for retirement thwarted by these responsibilities. And as retirement ages increase and people work longer, they may not be available to offer the childcare they expect – and are expected – to provide.

WHAT DO PEOPLE WANT TO DO (OR DO ALREADY) IN RETIREMENT?

<table>
<thead>
<tr>
<th>Activity</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Travel</td>
<td>66%</td>
</tr>
<tr>
<td>See family</td>
<td>57%</td>
</tr>
<tr>
<td>See friends</td>
<td>56%</td>
</tr>
<tr>
<td>Move to a new location</td>
<td>27%</td>
</tr>
<tr>
<td>Start my own business/work as a freelance or consultant basis</td>
<td>13%</td>
</tr>
<tr>
<td>Remain physically active</td>
<td>74%</td>
</tr>
<tr>
<td>Take on a new career</td>
<td>8%</td>
</tr>
<tr>
<td>Get involved in the local community</td>
<td>30%</td>
</tr>
<tr>
<td>Learn a new skill</td>
<td>35%</td>
</tr>
<tr>
<td>Provide support and childcare for my family</td>
<td>32%</td>
</tr>
</tbody>
</table>

Rises to 70% for empty nesters

Rises to 85% for empty nesters and grandparent child-carers

Rises to 40% for co-habiting couples
WHAT THE CMF PANELLISTS SAY

Many of the CMF panellists see the clash between people’s hopes for the future and the practical realities as an impending problem – managing expectations may therefore become a priority for policymakers and families alike. Reverend Jeremy Fraser, Area Dean of Newham, worries that given the pressures modern families face, many people may be heading for a retirement in which their aspirations are not fulfilled. “I hear a lot of people saying they simply can’t afford to retire,” he warns. “They may have ideas about what they would do in retirement, but that’s not the reality of their lives – and it won’t be unless we can do more to help them realise their ambitions.”

Neil Leitch, Chief Executive of the Pre-School Learning Alliance is also concerned. “People do fear they will be working longer and longer and that they will have less time to enjoy retirement,” he warns. “There is an increased concern that pension funds are going to be wholly inadequate.”

For James Daley, founder of Fairer Finance, another issue is the changing financial realities facing different generations. “There is a distinction here between today’s empty nesters and tomorrow’s” he argues. “The baby boomer generation is a one-off who have it all. They’ve benefitted from enormous increases in property prices, and have had generous pensions that are generally not being offered to their children. Empty nesters as a group will see their financial position weaken over the next few decades – with many of those in 30 years likely to be in a significantly worse situation.”

WHAT OUR FAMILIES SAY

“I think death will probably come before retirement.”
Michelle, boomerang kid

“I just want to keep healthy and active for as long as possible.”
Angela, Devon, grandparent child-carer

“I hope that financially I can reach some form of stability; more important though is that life at home stays happy.”
Michele, London, parent with school-aged children

“Lack of time and money stops me doing things and family commitments get in the way quite often.”
Sheila, West Midlands, grandparent child-carer

“In 10 years, I just hope for my husband and I to still be together, and surrounded by family.”
Carole, South-east England, full nester
The role of family support

With life expectancies increasing dramatically in recent times, people are living for longer in retirement than ever before. That brings with it many challenges – including the need to ensure pension savings are sufficient, the increased likelihood of needing some form of care in old age, and the risk of social problems such as isolation and loneliness.

Our research suggests that significant – but not overwhelming – numbers of people expect their families to support them with such difficulties in later-life. But the nature of the support people expect varies considerably.

Expectations for support from family in later-life

However, these figures may change in the future. Our research suggests that the growing number of younger people currently receiving help from their families are more likely to expect help in older age. Boomerang kids are the most likely to expect practical support, for example. Single renters, many of whom currently receive financial assistance from their parents, are most likely to expect financial support later in life.
The role of family support

THOSE WHO EXPECT SUPPORT, SPLIT BY FAMILY GENERATION

Married or co-habiting couples without children are the least likely to expect emotional support.

- Emotionally
  - Single renters: 79%
  - Boomerang kids: 74%
  - Co-habiting couples: 56%
  - Parents with school-aged children: 73%
  - Full nesters: 63%
  - Empty nesters: 67%
  - Grandparent child-carers: 72%
  - Family carers: 79%

Financially

- Financially
  - Single renters: 35%
  - Boomerang kids: 27%
  - Co-habiting couples: 16%
  - Parents with school-aged children: 16%
  - Full nesters: 10%
  - Empty nesters: 7%
  - Grandparent child-carers: 23%
  - Family carers: 35%

Practically

- Practically
  - Single renters: 38%
  - Boomerang kids: 45%
  - Co-habiting couples: 33%
  - Parents with school-aged children: 29%
  - Full nesters: 30%
  - Empty nesters: 37%
  - Grandparent child-carers: 30%
  - Family carers: 38%

35% of adults living with their parents expect financial support from family.

45% of under 34’s currently living at home with their parents would expect some practical support.

There are two ways to look at these findings. One possibility is that the younger demographics, having grown used to receiving more support from family than in previous generations, simply expect it to continue.

Alternatively, the explanation for these statistics may be that the financial pressures of recent years have changed people’s views about the role of the modern family. In other reports, The Centre for the Modern Family has charted how different family generations have become more dependent on one another – we may now be seeing younger people embracing these closer ties.
In other words, younger people’s expectation of support later in life may simply reflect their own intentions of offering that help themselves. In fact, 41% of people believe children have an obligation to support their parents later in life, while 40% see this sort of support as ‘payback’ for the support children enjoyed when younger.

Moreover, those figures are significantly higher amongst those demographics currently benefiting from parental support – particularly, boomerang kids and individual renters. And when asked about their personal situation, these groups are also more likely to express a duty of care to their own parents. Two in five (40%) single renters expect to support their parents financially in later-life, more than twice as many as the 18% average across all the demographics. Almost two-thirds of boomerang kids (62%) expect to care for their parents in later-life. Almost one in five (18%) expect their parents to live with them in later-life.

These figures imply that the recent trend towards closer family relationships and inter-generational dependencies is likely to continue. Today’s younger generations, now receiving so much support from their parents and other family members, have every intention of returning the favour later in life.

WHAT DO WE THINK ABOUT OBLIGATIONS TO FAMILY?

Children have an obligation to support their parents in later life.

Support from children in later life is in return for what you give them in earlier life.

Across family generations

<table>
<thead>
<tr>
<th>Category</th>
<th>Obligation to Support</th>
<th>Support in Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single renters</td>
<td>59%</td>
<td>63%</td>
</tr>
<tr>
<td>Boomerang kids</td>
<td>55%</td>
<td>52%</td>
</tr>
<tr>
<td>Co-habiting couples</td>
<td>48%</td>
<td>42%</td>
</tr>
<tr>
<td>Parents with school-aged children</td>
<td>42%</td>
<td>44%</td>
</tr>
<tr>
<td>Full nesters</td>
<td>36%</td>
<td>38%</td>
</tr>
<tr>
<td>Empty nesters</td>
<td>30%</td>
<td>32%</td>
</tr>
<tr>
<td>Grandparent child-carers</td>
<td>29%</td>
<td>33%</td>
</tr>
<tr>
<td>Family carers</td>
<td>40%</td>
<td>38%</td>
</tr>
</tbody>
</table>
WHAT DO WE THINK ABOUT OUR OWN CIRCUMSTANCES?

18%
I expect to support my parents financially in later life.
Rises to 40% amongst those renting a property with friends.

39%
I expect to care for my parents in later life.
Rises to 62% amongst boomerang kids.

12%
I expect my parents to live with me in later life.
Rises to 18% amongst boomerang kids.
WHAT THE CMF PANELLISTS SAY

These findings underline the conclusion of the other CMF reports in this series, says Professor Cary Cooper, Distinguished Professor of Organizational Psychology and Health at Lancaster University Management School. “The good news over the cost of living crisis is that families are coming together to support one another,” he says.

“That is perfectly normal: people do not want to be in the position of having to rely on their children,” she argues. Older people are also wary of becoming a burden, Holzhausen suggests, reluctant even to say that they feel lonely or isolated. “This can mean great hardship and turmoil for families.”

In recent times, family support structures have been gravitational – help has flowed down through the generations, rather than up. Now, however, the two-way ties between family generations do seem to be strengthening. For example, Samantha Callan, Associate Director for Families and Mental Health at the Centre for Social Justice, suggests the notion of payback is a relatively new phenomenon.

“It is much more the case now that people will ask, even if it is sub-consciously, ‘how much support did my parents give me’.”

WHAT OUR FAMILIES SAY

“I owe my parents: without them I would have no savings and my living situation would be nowhere near as comfortable.”

Jessica, Lincoln, boomerang kid

“I am confident my children will support me and care for me in any way they can but I never want to be a burden.”

Sharon, London, full nester

“It is really down to the relationship between the parents and the children: if you raise your children in the right way they will want to help you in your later years.”

Brian, London, parent with school-aged children

“My support is mainly child care, but I have lent my son money in the past to help buy the house and that turned into a gift in the end; they know we are always here if they need us.”

Angela, Devon, grandparent child-carer

“My youngest grandson stays with me for about 26 hours each weekend and I also help out during school holidays – I do not mind this at all; the children are growing up so quickly that I treasure my time with them.”

Geraldine, Glasgow, grandparent child-carer
Almost one in four people have cared for their parents in later-life or are currently doing so. Many respondents are very positive about the experience, but people also cite a broad range of problems they have encountered as a result of their caring responsibilities.

On the positive side, one in three of those who have provided care (34%) say being able to do so has enhanced their sense of well-being. Almost one in five (19%) say their relationship with their parents has improved, while a similar number (18%) say their whole family has become closer.

Less happily, more than one in four people who have provided care (28%) say their quality of life has suffered as a result. The problems have included a negative impact on their careers, their ability to save and even their day-to-day finances. Small but significant numbers also say family relationships have been negatively affected (16%) or that their relationships with parents have suffered (9%).

These findings highlight the dilemma facing many families as the dynamic of inter-generational relationships shifts: while there are positive aspects to be found in the way families are relying on each other more closely, there are downsides too. Some of these downsides – people’s inability to save while providing care, for example, will pose significant problems for the future.

**WHAT IMPACT DID/DOES CARING FOR FAMILY MEMBERS HAVE ON YOUR LIFE?**

- **15%**
  - I have cared for my parents in their later life.

- **8%**
  - I am currently caring for my parents in their later life.

- It has had little/no effect on my life (19%)
- Had a negative impact on my career (11%)
- Had a sense of well being from being able to give back to my parents (34%)
- My family as a whole has become closer (18%)
- My relationship with my parents has improved (19%)
- Relationship with other family members suffered (16%)
- Relationship with parents suffered (9%)
- Quality of life has suffered (28%)
- Unable to save adequately for my own retirement (10%)
- Unable to work (10%)
- Unable to meet the day to day costs of living (5%)
There is a crucial balance to strike here, says Emily Holzhausen. “This is going to be so important to many families, and they may need much greater help in resolving the challenges,” she says.

“Will families be able to come together and work really well, or will we see massive fall-outs and disputes?”

Sarah Jackson, the Chief Executive of Working Families, says that those families who do need to provide care must be given the support that enables them to do so. She points to research conducted by her organisation saying that middle-aged people who take time off to care for elderly relatives often find it difficult to get back into work. “End-of-life care responsibilities may last for only six months or so, but many carers have left work permanently and cannot get back,” she says.

Equally, however, for parenting author, Liz Fraser, it is also important to ensure that policymakers do not assume families will automatically take on caring responsibilities and withdraw from this area. “We have to remember that sometimes families simply don’t get on,” she says. “They may not see care as a family responsibility and people may be perfectly happy with that.”

“More support seems to be needed these days than when I was my children’s age - not just financial support but all sorts of help.”

Stuart, Manchester, grandparent child-carer

“I think I would expect emotional support from my children, but not financial help as they have enough to deal with.”

Carole, South-east England, full nester

“Providing childcare has given my wife and I a new lease of life - we know every nursery rhyme and song.”

Hugh, Scotland, grandparent child-carer

“My mum is an absolute godsend, she frequently comes to fill the void and assist my wife, often at the drop of a hat when I am at work; it makes me appreciate her even more than I already do.”

Brian, London, parent with school-aged children

“I’ll be totally honest: looking after my mother and her partner in old age is a burden I’d strongly prefer not to carry, but I do have a moral obligation to them.”

Ross, London, boomerang kid
HOW WILL PEOPLE FUND LATER-LIFE COSTS?

The Budget reforms to pensions unveiled by the Chancellor in 2014, including the abolition of rules forcing people to buy an annuity with their pension savings, will potentially transform the retirement planning landscape. What is also clear, however, is that people remain anxious and uncertain about how they will fund their later-life costs. The Government has since said that everyone will be entitled to receive free financial guidance on retirement through groups such as Citizens’ Advice and the Pensions Advisory Service. But this will be generalised help rather than personal financial advice.

HOW WE THINK WE’LL SURVIVE FINANCIALLY IN RETIREMENT

More than a third of people (37%) say they don’t know or haven’t thought about how they will survive financially in retirement. A further 17% intend to rely on state support, which may leave them without the means to achieve the aspirations they have. Amongst people who have thought about it, property and investments are the most likely source of finance for later-life costs.

Women are more likely than men to admit to being uncertain about their plans for funding retirement – and also less likely to be planning to depend on savings and investments. As for the Budget reforms, people’s views are very mixed. Almost one in four think the reforms will enable people to manage their savings more effectively, but they are outnumbered by the two in five (39%) who worry that the reforms could mean people won’t leave enough money for the whole of their retirement.
It is also clear that many people see the reforms through the prism of the inter-generational dependencies. Similar numbers – 22% and 23% respectively – see people coming under pressure to use pension savings not spent on an annuity to provide funding for the care costs of elderly relatives or for loans to other family members. Even more people (27%) expect retirement savings to be invested on behalf of the wider family – in a property for children, for example. Full nesters, who currently bear the biggest burden of family support, are more likely to have these concerns than any other demographic.

GENDER DIFFERENCES IN PLANNING FOR LATER-LIFE COSTS

<table>
<thead>
<tr>
<th>Option</th>
<th>All</th>
<th>Male</th>
<th>Female</th>
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<tbody>
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<td>Relying on my partner’s retirement income</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>9%</td>
<td>4%</td>
<td>12%</td>
</tr>
<tr>
<td>Equity release</td>
<td>8%</td>
<td>11%</td>
<td>6%</td>
</tr>
<tr>
<td>Investments</td>
<td>22%</td>
<td>26%</td>
<td>19%</td>
</tr>
<tr>
<td>I intend to rely on state support</td>
<td>17%</td>
<td>18%</td>
<td>15%</td>
</tr>
<tr>
<td>Insurance/protection policies</td>
<td>6%</td>
<td>7%</td>
<td>5%</td>
</tr>
<tr>
<td>I haven’t thought about it</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>21%</td>
<td>21%</td>
<td>20%</td>
</tr>
<tr>
<td>Annuities (regular payments from your pension)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>24%</td>
<td>27%</td>
<td>20%</td>
</tr>
<tr>
<td>Selling my property</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>17%</td>
<td>17%</td>
<td>18%</td>
</tr>
<tr>
<td>Investments</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>22%</td>
<td>26%</td>
<td>19%</td>
</tr>
<tr>
<td>I intend to rely on my children to fund these costs</td>
<td>1%</td>
<td>1%</td>
<td>2%</td>
</tr>
<tr>
<td>Don’t know</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>17%</td>
<td>15%</td>
<td>19%</td>
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<td>Other</td>
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<td></td>
<td>5%</td>
<td>4%</td>
<td>6%</td>
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How will people fund later-life costs?

WHAT WILL BE THE IMPACT OF THE BUDGET REFORMS?

23%
People will be able to manage their retirement savings more effectively and will therefore have to rely less on their family.

23%
People will end up using their retirement savings to fund the care costs of their elderly relatives.

27%
People will come under pressure from their family to lend them money from their retirement pot.

Rises to 30% among grandparent child-carers.

Drops to 21% amongst boomerang kids but rises to 29% among full nesters.

22%
People will release their retirement savings and invest them in their family (for example in property for their children).

39%
People will not leave enough money for old age and will have to rely more on their family.

Drops to 12% boomerang kids but rises to 25% among full nesters.

Falls to 35% among grandparent child-carers.
WHAT THE CMF PANELLISTS SAY

All the CMF panellists are concerned that the anxiety people feel about funding their later-life costs is not being matched by support and advice. While the promise of free guidance at the point of retirement will, if implemented successfully, be valuable to some people, it falls short of tailored and personalised independent financial advice. This is particularly true given the added complexities of retirement planning now that annuitisation is not compulsory. Moreover, families will need guidance well before the point of retirement when it is being offered.

Neil Leitch points out that certain groups are particularly vulnerable. “I would completely endorse the finding regarding funding uncertainty amongst women,” he says.

“In particular, there are large numbers of single women who are really worried about how they will meet later-life costs.”

“This issue is as old as the hills in the UK,” adds James Daley. “The Government needs to look at more public broadcasting projects around financial responsibility: there’s still an enormous job to do in educating people of the importance to save for their retirement.”

One particularly important challenge, says Samantha Callan, will be to provide younger people with examples to follow. “They don’t have too many role models who have grafted and worked and come out to a normal retirement,” she warns. “So will they ever actually think about it and what will trigger them to do that? Is there more that we need to do to trigger the conversations earlier?”

Liz Fraser suggests that it is not only working age people saving for a pension who need more support, but also those on the verge of retiring. “One thing to remember about the end of our lives is that this is the period with the biggest question mark over it,” she says. “We have no idea how long it’s going to go on for.”

“If you don’t know whether you’re going to live until 75 or 100, it’s very hard to plan ahead”.

WHAT OUR FAMILIES SAY

“I don’t think I will start thinking about retirement any time soon; there are bigger priorities for me in the coming future.”

Razia, boomerang kid

“I can see myself working until I am very old and children normally get even more expensive later on in life.”

Michele, London, parent with school-aged children

“My father is of the generation that provided well for his retirement so he is better off than we are – I don’t see retirement is an option for us for a while, especially as the retirement age is going up.”

Susan, West Midlands, full nester

“Once you have retired there is not a lot you can do about future planning other than trying to get a little money put away for when it is needed.”

Geraldine, Glasgow, grandparent child-carer

“I hope my children will be able to contribute to my care costs if I can’t afford it.”

Sheila, West Midlands, grandparent child-carer

How will people fund later-life costs?
The disappearing inheritance

Many Britons are determined to hold on to their properties in retirement: 31% intend to stay living in their homes for as long as possible, but this figure rises to 48% for grandparents currently providing care for grandchildren. The older people are, it seems, the less inclined they are to give up their homes.

At the same time, only 9% of people have a firm intention to pass on their homes to children. Full nesters, more used to supporting their children, feel more strongly about this issue, but they are also realistic about their own needs – 20% plan to downsize in order to pay for later-life costs, compared to only 14% of all Britons. This may reflect their inability to save in other ways given their current financial pressures.

If property is less likely to be passed on, do people plan on leaving an inheritance of any sort? One in three (34%) say they do, though grandparent child-carers (41%) are noticeably more likely to be factoring leaving an inheritance into their later-life planning than groups such as full nesters (29%). Equally, one in five people (19%) say they cannot afford to fund their later-life costs, while 14% say they would rather spend their money in retirement.
Those people who might be expected to have been banking on an inheritance are realistic about their prospects of receiving this sort of windfall – more than one in four Britons (28%) don’t expect to receive anything at all.

However, while the overall proportion of people who are relying on a windfall for needs such as property purchase or debt repayment is small, averaging around 3% to 4%, it is more significant in certain demographics. One in 10 (10%) of single renters are banking on an inheritance to buy their own property, for example.

Equally, it’s clear that these issues remain sensitive. While financial pressures have forced families to rely more heavily on each other, with inter-generational dependencies increasing all the time, many people don’t talk about inheritance. More than one in four people (26%) have never discussed these issues with their families.

ATTITUDES TO PROVIDING AN INHERITANCE

- **5%**
  - I worry that my children will inherit my debt.
  - Rises to 8% among those providing regular care to a relative, and 7% of parents with school-aged children.

- **14%**
  - I would prefer to spend my money in retirement than leave it as an inheritance.
  - Rises to 17% among empty nesters, but falls to 11% of parents with school-aged children.

- **19%**
  - I cannot afford to fund my later life costs and leave my children an inheritance.

- **34%**
  - I am factoring leaving an inheritance to my children into my life planning.
  - Rises to 41% among grandparent child-carers, but falls to 29% of full nesters.
ATTITUDES TO RECEIVING AN INHERITANCE

- **26%**
  - I don’t know, I’ve never discussed it with my family.
- **28%**
  - I do not expect to receive an inheritance.
  - I am relying on an inheritance to support my children buy a property/pay for their education.
- **3%**
  - I am relying on an inheritance (e.g. property) from my parents to fund for my own later life costs.
  - Rises to 9% among parents with school-aged children.

- **4%**
  - I am relying on an inheritance to pay off my debts.
  - Rises to 7% among single renters.
- **4%**
  - I am relying on an inheritance to buy my own property.
  - Rises to 10% among single renters.
- **8%**
  - I am relying on an inheritance (e.g. property) from my parents to fund for my own later life costs.
  - Rises to 10% among family carers.

Rises to 55% among single renters.
Falls to 10% among single renters.
WHAT THE CMF PANELLISTS SAY

Liz Fraser suggests that the changing picture on inheritance reflects people’s uncertainties about later-life costs. “People who reach retirement age now want to keep hold of as much as they can as long as they can, because they just don’t know how many years that money has to last them for,” she says.

“40 years ago it would have been easier to work out what it was possible to leave for their children.”

However, James Daley warns that people’s increasing inability to leave inheritances will make it even tougher for younger generations to achieve their financial goals. “We’re going to become an increasingly polarised society, with a group who can afford to get on the property ladder thanks to property gains passed down from family, and those who have no chance,” he says. “In the end, Government policy will be the key to sorting out these housing issues.”

Jeremy Fraser also warns policymakers not to think only about property and inheritance in the context of private housing. “Two recent changes of Government policy are really affecting social housing,” he says. “The bedroom tax doesn’t affect the elderly person, but if their kids inherit the tenancy, they become liable; the same happens with housing benefit caps, where the older person is the historic tenant and doesn’t get caught, but someone who inherits the tenancy is subject to the housing benefit cap.”

WHAT OUR FAMILIES SAY

“We have already had an inheritance and used it to reduce our mortgage and invest for the children.”
Stuart, Cambridgeshire, parent with school-aged children

“I try not to worry about the future because we can never know what is going to happen; my children will have their own challenges and I can’t imagine what they will be.”
Susan, West Midlands, full nester

“We’re not selling our house; we’ll let the kids sort it out when we are gone.”
Steve, Essex, grandparent child-carer

“It is difficult to think about inheritance when you do not know how long you will live and what your health will be like.”
Geraldine, Glasgow, grandparent child-carer

“I hope to leave my house as an inheritance for my kids and maybe some savings too.”
Stuart, Manchester, grandparent child-carer
CONCLUSION

It’s good news that people can expect to live longer than previous generations. It’s also clear that many people are looking forward to fulfilling lives in retirement, realising hopes such as the ambition to travel while continuing to play an important role in the lives of their families.

At the same time, however, people are keenly aware of the obstacles that may prevent the reality of later-life turning out as they hope. The financial challenges of planning for later-life have been complicated by the difficult economic environment of the past few years – plus the need to plan for so much longer – and there are also practical and emotional needs to be addressed.

Modern family life is changing in order to confront these obstacles, with different generations coming together to solve a wide range of problems in later-life. Children expect to provide more care for their parents later in life, and do not expect to receive substantial inheritances. Parents and grandparents, meanwhile, are playing a more active role in their children’s lives – by helping out with childcare.

There are many positives to be taken from this changing dynamic. Not least, plenty of families say their relationships have improved because of the way different generations now depend more closely on each other.

However, there are stresses and strains to be addressed too. Those providing care to older people often suffer a negative impact on their own lives, for example. Discussions around issues such as inheritance are sensitive and uncomfortable. Some of the financial hurdles families face look insurmountable. And with older people working longer, they may not be able to offer the support to younger generations that they would like to.

Policymakers are only just beginning to address these issues. This year’s pension reforms could have a positive impact on many families, but they will need more advice and support to grasp the opportunity. Middle-aged groups such as full and empty nesters will need more help as their straitened finances make it tougher to plan for later-life. And younger people have not even started to address such questions – not least because they face so many other pressures.

The bottom line is that while the landscape of later-life planning is certainly changing, a clear picture of the future has yet to emerge. Families are feeling their way towards coping strategies for the challenges they face – and they will need greater support in order to confront these issues successfully.
POTENTIAL POLICY RESPONSES FOR KEY FINDINGS

1. BRITONS ARE BOTH ASPIRATIONAL AND REALISTIC ABOUT LATER-LIFE
   Despite the changing demographic and financial landscape, many people still have ambitious aspirations for retirement: three-quarters (74%) of people are determined to remain physically active, while two-thirds (66%) look forward to travelling. One in three (32%) look forward to providing support and childcare to their families.

   POLICY RESPONSE
   How can we ensure that, following the recent reforms to pensions, people have the knowledge and information they need to make the right decisions in retirement? Could we do more to support people to balance short-term financial pressures with the longer-term saving that will allow them to achieve their ambitions in later-life?

2. PEOPLE EXPECT TO RECEIVE SUPPORT FROM THEIR FAMILIES
   Almost two-thirds (64%) of people expect to receive emotional support from their families in later-life, though only one-fifth (20%) anticipate receiving financial support.

   POLICY RESPONSE
   Are there practical changes we can make – to employment rights, for example – that will enable younger people to provide more support to parents and grandparents? How can we help those with a support role to balance the time, emotional and financial pressures this commitment entails?

3. CARE-GIVING IS BOTH REWARDING AND CHALLENGING
   Almost one in four (23%) people have cared for parents in later-life or are currently doing so. More than a third (34%) say the experience has given them a sense of well-being, but 28% say their quality of life has suffered because of their care-giving.

   POLICY RESPONSE
   Could support mechanisms such as adjustment leave, entitling people to take time out of work to adjust to new family circumstances, help families cope with caring responsibilities? Will the right to request flexible working be enough to support carers?

4. FUNDING INTENTIONS ARE PATCHY
   Despite the reforms first announced in the 2014 Budget, annuities look set to remain the single most common solution for funding later-life, though property has an important role to play. But more than a third (38%) of people don’t know how they will meet their costs in retirement or haven’t thought about this issue. Women are much less certain than men.

   POLICY RESPONSE
   How can we supplement the proposed, guaranteed guidance to inform and educate people throughout their lives on funding later-life costs? How can we ensure that a conversation around later-life savings takes place over 45 years, rather than 45 minutes?

5. THE DISAPPEARING INHERITANCE
   Britons are determined to stay in their home for as long as possible but fewer than one in 10 (9%) expect to leave property to children. While one in three people (34%) still bank on leaving some inheritance for heirs, more than one in four (28%) do not expect to receive anything at all.

   POLICY RESPONSE
   Could changes to housing policy solve challenges such as how people use their properties in later-life?
THE PANEL

CAROLYN FAIRBAIRN
LLOYDS BANKING GROUP, CHAIR, CENTRE FOR THE MODERN FAMILY
Carolyn Fairbairn is a non-executive director of Lloyds Banking Group and of The Vitec Group. She served as a non-executive director of the Financial Services Authority (FSA) between 2008 and 2011 and was Chair of the FSA’s Risk Committee from 2010 – 2011. Until April 2011, she was Director of Group Development and Strategy at ITV plc, having also spent eight years at the BBC including five years as Director of Strategy and a member of its Executive Board. She has also been a partner at McKinsey & Co. and a policy adviser in the Prime Minister’s Policy Unit. Carolyn began her career as an economist at the World Bank. In January 2012, she was appointed a trustee of Marie Curie Cancer Care.

SAMANTHA CALLAN
ASSOCIATE DIRECTOR FOR FAMILIES AND MENTAL HEALTH, CENTRE FOR SOCIAL JUSTICE
Dr Samantha Callan is recognised as a research and policy expert in the field of family relationships and work-life integration. She has acted as a research consultant to major non-governmental organisations aiming to strengthen family life. In this capacity she chaired the Family Breakdown Working Group of the Social Justice Policy Commission and the Family Law Review and Early Years Commission for the Centre for Social Justice. She was previously the Family and Society Policy Adviser in the Conservative Policy Unit. She has recently completed a major review on mental health which was unusual in emphasising the importance of the family.

PROFESSOR SIR CARY COOPER CBE
DISTINGUISHED PROFESSOR OF ORGANIZATIONAL PSYCHOLOGY AND HEALTH, LANCASTER UNIVERSITY MANAGEMENT SCHOOL
Sir Cary Cooper is Distinguished Professor of Organizational Psychology and Health and is Chair of the UK’s Academy of Social Sciences, an umbrella body of 41 learned societies in the social sciences, comprising over 87,000 social scientists.

Sir Cary is former Chair of The Sunningdale Institute, a think tank on management and organisational issues, in the National School of Government (2004-2009). He was also the lead scientist to the UK Government Office for Science on their Foresight Programme on Mental Capital and Well-being (2007-2009).
JAMES DALEY
FOUNDER, FAIRER FINANCE
James Daley has been a consumer campaigner and financial journalist for the past 14 years. Before launching Fairer Finance, he worked for the consumer group, Which?, where he campaigned for a better deal for customers of banks and insurers in the wake of the financial crisis.

Before working at Which?, James spent five years as a business and finance journalist at The Independent newspaper, latterly as the paper’s personal finance editor and cycling columnist. He lives with his wife and daughter in Tooting, where he is also a local councillor.

LIZ FRASER
PARENTING AUTHOR
Liz Fraser is the best-selling author of three parenting books, a family commentator on BBC Breakfast News, ITV1’s Daybreak and This Morning, Sky News and many others, and a BBC Radio presenter.

A Cambridge science graduate and mother of three, Liz is currently writing her fourth book, and was author of the inaugural report Family published in 2011.

REVEREND JEREMY FRASER
AREA DEAN OF NEWHAM
Reverend Fraser is Area Dean of Newham, Parish Priest in Stratford and part of the Olympic Park. He is chair of a local youth charity and operates the local foodbank.

Before being ordained, he had a career in business and politics and is the former Labour leader of Southwark Council. He is currently a board director at a PR agency.

EMILY HOLZHAUSEN
DIRECTOR OF POLICY AND PUBLIC AFFAIRS, CARERS UK
Emily has worked at Carers UK for the last 16 years, where she is responsible for UK and England strategic development and direction of policy, research, campaigning, parliamentary, media and advice and information provision and Carers Week, one of the UK’s biggest awareness weeks. Her team includes the advice service for carers and she is also responsible for Carers Rights Day.

Emily has developed and led different campaigns over the years which have resulted in new legislation, policy or practice to improve the lives of carers. For example, the Caring on the Breadline campaign led to the first major package of carers’ benefit changes in 15 years. She had led campaigns on two successful Private Members’ Bills giving carers new rights: Carers and Disabled Children Act 2000 and Carers (Equal Opportunities) Act 2004 and has provided evidence and advice to the Law Commission’s review of social care law. Over her career she has carried out or commissioned over 30 pieces of research, bringing more insight and understanding about the lives of families caring for someone with a disability or chronic illness.
SARAH JACKSON OBE
CEO, WORKING FAMILIES

Sarah has been involved in work-life balance campaigning and culture change since joining Parents At Work in 1994, and is an acknowledged expert in the field. Leading Working Families' policy and parliamentary work, she is the charity's key media and public spokesperson on all aspects of work-life balance.

In 2007, Sarah was awarded an OBE in the Queen's Birthday Honours List for services to Quality of Life Issues. Sarah does not work full-time; flexible hours give her time to enjoy family life.

RICHARD JONES
DIRECTOR OF ANNUITIES AND PROTECTION PROPOSITIONS AND BANCASSURANCE FOR THE INSURANCE DIVISION OF LLOYDS BANKING GROUP

Richard is Director of Annuities and Protection Propositions and Bancassurance for the Insurance Division of Lloyds Banking Group. He is responsible for developing and running propositions that meet customers' needs and provide good value for customers.

NEIL LEITCH
CHIEF EXECUTIVE, PRE-SCHOOL LEARNING ALLIANCE

The PSLA supports more than 800,000 children and their families in England through its membership of day nurseries, sessional pre-schools and parent and toddler groups.

Neil is a strong advocate for early intervention, believing every child deserves an equal opportunity to progress in life. Before taking up his post of Chief Executive in October 2010, Neil worked alongside the Alliance for more than 10 years, during which time he was instrumental in setting up the Alliance's Neighbourhood Nursery structure. Neil has overseen the Alliance's development as the largest voluntary sector provider of affordable childcare and education in England, with 113 registered childcare and early years settings, which includes sessional groups and full daycare nurseries in disadvantaged areas.
LIFE FEELS BETTER WHEN YOU HAVE A PLAN