

Twenty Somethings – Less likely to save or own a home

The Office for National Statistics (ONS) recently reported that twenty somethings are now less likely to own a home than had previously been the case, and that fewer have accumulated any savings of note.

These findings have been highlighted by several media organisations over the last month, including the BBC, and show that the proportion of 22-29 year olds owning their own home has fallen over the past decade by 10%, from 37% to just 27%.

Factors that may have impacted upon this change are led by the level of house prices and the income required to secure an adequate mortgage in order to get onto the housing ladder. However, other factors such as the relative cost to an individual of further education is also thought to have had an impact.

Currently 53% of 22-29 year olds have nothing in a savings account or ISA. This is up from 41% a decade ago. According to the ONS data 75% have less than £6,000 in savings indicating that their prospect of buying a property is a more distant hope than it was for their parents.

It is said that if the savings habit isn't in place in your 20's it is unlikely to develop in your 30's, 40's or 50's. What can be done to assist? Maybe a combination of guidance and support?

Andy Webb, a blogger on financial matters, suggests five basic steps for individuals to help themselves:

- Paying into your savings first before anything else.
- Automate your savings by using an App, some of which allow you to save by rounding up your transactions.
- Make it difficult to spend your savings by using arrangements more difficult to access.
- Spend in cash where you can.

Increasingly, family members are assisting children and grandchildren to get started on the property ladder, with many providing some or all of a

deposit lump sum by accessing savings or releasing equity from their own properties. For others ongoing medium and long-term financial support to help in a property purchase may be achieved by funding or co-funding tax incentivised savings arrangements in the child or grandchild's name such as ISAs and Lifetime ISAs (LISAs).

Good financial and where appropriate legal advice is essential to ensure individual circumstances are considered, particularly to take account of the potential impact on IHT liabilities and, for some, social care entitlement.

Generational financial planning has always been a consideration. The ONS article has helped to bring this to the fore once more.

Lifetime ISA (LISA) – Is it worth a second look?

Although LISAs have been available through a few providers for over a year, they have not had the anticipated impact and take-up remains low.

Is this the time to reconsider LISAs suitability?

LISAs are intended to assist with one of two things, buying your first home or retirement provision.

- You can save up to £4,000 per annum and receive a 25% bonus, however there are penalties for withdrawing monies for other purposes.
- Anyone aged 18 to 39 can take out a LISA and continue contributing up to the day before they are 50. The maximum available bonus over your lifetime is £33,000.
- A LISA can be used for the purchase of a first-time property of up to £450,000.
- It can be an appropriate tax-efficient savings vehicle for parents or grandparents to use to assist their children or grandchildren.
- If a couple are both first time buyers then they can both benefit from a LISA and double the potential bonus. However, the maximum purchase

price is still £450,000.

- It can attract both regular contributions and lump sums and be invested in either equities or cash.

In late 2015 the Help to Buy ISA was introduced, and it is possible to hold both. However, a bonus can only be received through one and consideration has to be given to the use of one over the other, or the holding of both.

Primarily, if the holder of the LISA is going to purchase a home for up to £450,000, are aged between 18 and 39, but are not going to do it within a year, then the LISA will give you a larger bonus.

For retirement provision, the funds accumulated in a LISA are intended to be accessed from age 60. Further consideration may be given to the relative benefits of a LISA compared to pensions and / or other alternative long-term savings vehicles.

Probate Fees to Increase

The government did not proceed last year with plans to increase probate fees to a maximum of £20,000. However, following consultation, they are to go ahead with replacing the flat fee of £155 with a sliding scale of fees ranging from £250 up to a maximum of £6,000. At present, a one-off fee of £155 is paid if using a solicitor to apply to the court for a grant of representation. The fee if applying in person is £215.

In future, for estates of up to £50,000 there will be no fees, thereafter estates of £50,000 to £300,000 will incur a fee of £250, rising to £2,500 for estates of £500,000 to £1m and a maximum of £6,000 for estates over £2m.

Secondary legislation is anticipated to be introduced later this month. Once enacted it is thought that 25,000 estates per annum will pay nothing and only 1 in 5 estates will pay more than £750.

However, STEP (The Society of Trust and Estate Practitioners) has indicated that 85% of estates would have been liable for higher fees based on 2014-15 figures.

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