



ADULT CHILDREN TUG AT THE PURSE STRINGS TO THE TUNE OF £12,000

- Scottish Widows Savings and Investment annual Report reveals 'Savings Sap' is now £67 billion
 - Half of parents are only approximately half way through their 'giving cycle'
- Over a third of parents who have loaned or given money (36%) had planned to use it in retirement
 - Four in ten (42%) adult children have used their handouts to pay off debts

Adult children are 'sapping' their parents' savings and investments at an increasing rate of knots, as Scottish Widows reveals the position has got even worse over the past year. Over half (55%) of parents have given or loaned their children or grandchildren thousands of pounds compared to a figure of 39% last year – an increase of 16%.

The second annual report from Scottish Widows reveals the average amount given by parents to their offspring is £12,610 making a total 'Savings Sap' of £67 billion*.

The research also reveals that over half (52%) of all parents that have already given money to their children are expecting to have to dig deeper into their pockets and shell out again in the future. This group of parents has already forked out more than the average amount (£14,525), and on average, think that they will have to donate another £11,585, meaning they are currently just over halfway through the 'giving cycle'.

It's obvious that parents have felt the pinch as a result of being 'sapped' for thousands of pounds. Over a third of parents (36%) planned to use the money in retirement and this could adversely affect them in their later years as a result of their adult children plundering their savings. However, it seems that their offspring's needs are more immediate, as over four in ten (42%) adult children are using or have used their parental handouts to pay off debt.

Anne Young, savings expert at Scottish Widows comments: “It seems that although people could well be tightening the purse strings at a time when the credit crunch could affect finances, adult children are still managing to extract what they can from Mum and Dad. Both the amount of money given and the number of children ‘sapping’ has increased in the last year, to the extent that the overall Sap Fund is well in excess of £60 billion. That’s a significant amount, and the glaring hole in parents’ finances needs to be replaced, or prepared for in the first instance, as the problem is clearly not going to go away!”

It seems that children still know how to tug at parents’ heart strings long after they have flown the nest. Even though it may mean cutting back, six in ten (63%) say they were happy to help out, and a third (34%) are resigned to the fact that it is ‘what parents do these days’.

Four in ten (40%) parents feel their children need the money given away more than they do, especially when the research demonstrates what parents say children are using it for (last year’s figures in brackets):

- Paying off debt – 42% (22%)
- House purchase/deposit – 29% (32%)
- Car – 29% (23%)
- Living expenses – 22% (15%)
- Household/furnishings – 18% (12%)
- Education fees – 14% (10%)

Professor Merlin Stone, leading economist comments: “It is not surprising that the trend of giving or loaning a substantial amount of money to adult children has risen over the past year as the current generation of young adults are facing increasing levels of debt as well as steep house prices, so are increasingly turning to their parents for hand-outs to help with these financial drains. With housing transactions volumes falling, the economic situation perhaps weakening and financial institutions tightening their lending criteria, it’s not surprising to see that what was the joint largest area of help – housing purchase/deposit – remaining static while debt pay-off has jumped into the lead and living expenses doubled. It’s not all doom and gloom, as travelling and education now feature much more strongly. However, worryingly this report shows the total amount of these intergenerational gifts is also

on the increase, possibly reflecting the rise in every day living expenses for which these sums are being used. Baby boomers, now mostly retired or entering retirement, have just about saved enough to fund their retirement, but they are facing their funds being depleted by their offspring.”

Anne Young continues: “It is obvious that parents still need to be around to help their children out, especially as the figures show that they are increasingly being used to provide an emergency loan, to help their kids get back into the black. Parents and children can protect themselves against this situation by putting small amounts of money often into a tax efficient savings vehicle such as an ISA. This year, regulations have changed, which means that you can save even more money tax free, to help build up a ‘Sap Fund’. The earlier parents and children start, the easier it will be, and before you know it, you will have built up a substantial amount of money.”

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Notes to editors:

- £67 billion= 21.7% of GB households has ever given money to their adult children. 21.7% of GB households (24.5 million households in total) = 5.32 million households. Average amount given is £12,610. £12,610 x 5.32 million households = £67 billion
- This survey was carried out online by YouGov who interviewed a total of 5783 adults between 31 January 2008 and 4 Feb 2008.
- Isas should be viewed as medium to long term investments (5-10years), the value of your investment and any income from it is not guaranteed and can go up and down depending on investment performance. You might get back less than you invested. The value to an investor of the tax advantages of an ISA will depend on personal circumstances which may change in the future.
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