Children gifted £14bn a year by parents

Synopsis: The Institute for Fiscal Studies (IFS) has issued a report, funded by the IFS Retirement Savings Consortium and the Economic and Social Research Council, entitled: "Who gives wealth transfers to whom and when? Patterns in the giving and receiving of lifetime gifts and loans."

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The report examines the patterns in the giving and receiving of significant wealth transfers during life, and the association of transfers with life events.

According to the report, parents gift or loan their children an estimated £17 billion each year, mostly to help with buying a house or as a wedding present.

The majority of the wealth is given away while £3.3bn is in the form of loans, although these are frequently lent of very favourable terms with low expectation of them being repaid.

Most transfers come from parents aged over 50 to children in their late 20s and early 30s, although grandparents gift £330m, shows research by the IFS. Nearly a third (30%) of young adults receive at least one transfer (of £500 or more) over any eight-year period.

The highest-income fifth received an average of £6,300, or 3% of their income over the same period, while the lowest-income fifth are given an average of £240, or 0.5% of their income over the same period. Giving patterns did not seem to vary widely depending on wealth although obviously the amounts involved were smaller.

In 2018-20, the median gift value received among those who reported having received a gift in the last two years was around £2,000, while 10% of gifts were over £20,500.

Over half of the value of transfers is given by the wealthiest fifth of adults, almost exclusively homeowners and disproportionately living in London and the south east.

The children of university educated, homeowning parents receive around six times more in wealth transfers during their 20s and early 30s than the children of renters.

Half of the value of gifts received was used for property purchase or improvement. Those using transfers for this purpose received over £20,000, on average. Those in the least wealthy third are relatively more likely to report using gifts for the purchase of a new car, to pay off debts or for educational expenses.

The IFS said that this wealth distribution is contributing to increasing inequality across the younger generation. *'More than half of the value of gifts is given by the wealthiest fifth of individuals, and transfer receipt widens the gaps in resources between those with higher and lower socio-economic status parents in both absolute and percentage terms,'* the IFS said.

Bee Boileau, a research economist and author of the report, said: *'Substantial intergenerational transfers happen when people – particularly those with richer parents – are in early adulthood and are buying their first home or getting married. While these transfers are important assistance for some, they are very unequally spread.'*

'The children of university educated, homeowning parents receive around six times more in wealth transfers during their 20s and early 30s than the children of renters, while white young adults are three times more likely to receive a substantial gift than Pakistani or Bangladeshi young adults. As well as the benefits these transfers can provide, policymakers should keep in mind these transfers' potential to pass on inequalities from one generation to the next.'

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