Attitudes to inheritance in Britain

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Attitudes to inheritance in Britain

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JOSEPH ROWNTREE
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Executive summary

Introduction

- With more families owning their own homes it is likely that more people will both bequeath and inherit assets. This raises a number of social policy issues, such as whether or not people will save their assets for bequests (and potentially raise the living standards of the next generation) or try to use them up in later life to improve their own living standards.
- This study was commissioned by the Joseph Rowntree Foundation because very little is known about people's attitudes to inheritance. The study was carried out by the Universities of Bath and Bristol.
- Initial developmental work comprised a literature review, secondary analysis of previous qualitative and quantitative studies and four focus groups with owner-occupiers. The main component of the study was a nationally representative survey of 2,008 people living in Britain.

Expectations of receiving an inheritance, and perceived needs

- More than half of the population think that they are not at all or not very likely to receive property as an inheritance in the future. But 14% think that they would definitely receive property and another 14% think they are very likely to receive it.
- Younger people, especially those whose parents are currently owner-occupiers, have the greatest expectations of receiving an inheritance.
- People on benefits have very low expectations of receiving inheritances but some, nevertheless, think that they might receive something.
- Some people are uncertain about whether or not they might receive an inheritance because any assets could be used up on long-term care or other items (including funeral expenses); it is uncertain when a potential bequeather might die and who exactly they will leave any assets to; and the potential bequeather might divorce/remarry, with assets then passing to a step-family.
- Most (90%) of those who expect to receive something think that they will receive an inheritance from their parents, but some have expectations of receiving something from other relatives.
- About a quarter of those with children aged over 18 think that their children need to receive an inheritance. Owner-occupiers and those in social class A are much more likely to think this than those who live in social housing and those in social classes D and E.

Experience of receiving an inheritance

- Almost half (46%) of respondents have received some kind of inheritance at some time in their lives.
- Receipt of inheritance is linked to age to some extent, with older people more likely to have inherited, but social class and tenure were more strongly related to inheritances, with owner-occupiers and those in the professional classes most likely to have inherited.
- The most common type of inheritance is money (received by 34% of respondents), followed by personal items (22%) and property/share in property (11%).

- Most inheritances involve relatively small amounts but 5% of the public have inherited £50,000 or more.
- When we control for other factors through regression analysis, white owner-occupiers in the professional classes are much more likely than other groups to receive an inheritance, particularly one of much value.
- The most common source of bequests is parents (39%) but grandparents are not too far behind, responsible for 31% of all bequests.
- Most inherited properties (63%) are sold. Inherited money is equally likely to be spent or saved/invested.
- Lifetime gifts are fairly common, with 31% of respondents having received at least £500 in lifetime gifts. Those who have received an inheritance are more likely than others to have received a lifetime gift as well.

Attitudes to, and ability to leave, bequests

- People like the idea, in theory, of being able to leave a bequest but most do not think that older people should be careful with their money in order to leave one.
- A third of the public think that they will definitely leave property as a bequest and a further 26% say they are very likely to do so.
- The majority of the public (64%) say they have property or savings that they could leave as a bequest now if they wanted to. A further 27% say that they might have savings or property in the future that they could leave as a bequest. So, nine out of 10 people feel they have some potential to bequeath.
- Two thirds of those with some potential to leave a bequest in the future say that they will enjoy life and not worry too much about leaving a bequest. Just over a quarter say that they will be careful with their money so that they can leave something.
- The group least supportive of the concept of inheritance appears to be those in their fifties. The most supportive age groups are those aged 80 or more and those aged 18-29.
- Those with some potential to bequeath who come from poorer social groups, such as lone parents and those in social class E, are more supportive of the concept of inheritance than those in more advantaged groups. Black and minority ethnic groups also seem more supportive of the concept of inheritance.
- Factor analysis suggests that there are some underlying attitudes to inheritance that explain people's attitudes more generally. The main factor is the extent to which people think that some people have a need to inherit. Another factor is whether or not people want to enjoy life and not worry about inheritance or be careful with their money so that they can leave something.
- When people who expect to leave something are asked who they might leave a bequest to, children are most commonly cited (by 89%). Almost three grandparents in 10 (28%) say that they will leave something to their grandchildren. Older people without any children are much more likely than others to mention other family members, especially nephews and nieces.

Attitudes to assets

- Owner-occupiers do not see their homes primarily as potential bequests but those aged 70 or more – along with lone parents, those in social class E and those on low incomes – are more likely to take this view than other owner-occupiers.
- People are more likely to consider property as a better way of making financial provision for retirement than pensions.

- A quarter of current or former owner-occupiers have accessed equity at some point in one way or another. The most common method is to borrow against the value of the home, followed closely by trading down.
- The main reasons for accessing equity are to carry out property repairs/improvement, pay bills/debts and buy essential items. There are relatively few examples of people releasing equity to spend the money on non-essentials.
- When asked whether or not they would consider accessing equity (again) in the future, almost half of owner-occupiers say that they do not know. But of those who have an opinion, most say they would consider accessing equity. Trading down is the most popular option.
- Only one in 20 owner-occupiers say they would consider an Equity Release Home Reversion Scheme. Such schemes are most popular among 60-years-olds and those from the professional classes.
- Owner-occupiers think that Equity Release Schemes as they currently stand are complex, risky and difficult to understand. They have little trust in the current providers. But they do like the idea in theory. This suggests that there is scope for developing further policies, perhaps in partnership with the voluntary sector, that enable people to release some equity in their home while retaining some for bequests.
- As far as liquid saving goes, 15% of savers say that one of the motivations for saving money is so that they can give or leave something to their children. So, the bequest motive is not widespread but it does influence a minority.

Wills and knowledge of inheritance law/tax

- Just under half of the population (45%) say that they have made a will. This rises to 84% of those aged 80 or more.
- People with assets to leave are much more likely to have made a will than others nevertheless a substantial minority of owner-occupiers (about a quarter) have not made a will.
- The main reason people give for not making a will is that they have not got round to it yet (given by 58% of those without wills). The second most common reason is that people consider themselves too young to make a will (20%) and 17% say that they have nothing to leave.
- Knowledge of issues around inheritance law and taxation is poor.
- Almost two respondents in five think, incorrectly, that a long-term cohabiting couple would receive equal treatment under inheritance law as a married couple. People who are themselves cohabiting are no more knowledgeable on this matter than others.
- When asked about inheritance tax, most people either have no idea how the system works or think that more people pay it, and pay more, than is actually the case.
- Even among those with properties above the threshold for inheritance tax (£263,000 at the time of the survey), only a minority know how much tax would have to be paid on an estate worth £300,000.

Conclusions

- Inheritance affects most people today. Almost half have received some kind of inheritance in the past and rather more than half think they will receive something in the future. This raises a number of important policy issues.
- The impact of inheritance on wealth inequality is not entirely clear. This study shows that people who are already affluent are most likely to inherit and bequeath substantial amounts. Those who are very poor have very little chance of inheriting and so will be left further behind. But some of those in the middle will be the first generation in their families to inherit and bequeath. Further research is needed on this issue.

- Concern over the level of pensioners' incomes has led to speculation about whether or not they may access housing assets in later life. This study shows that most of those with assets are willing to use up their savings and access some of their housing equity if they need to do so to maintain a reasonable standard of living. But the distribution of assets is such that those who need them most have least, if any at all.
- While owner-occupiers think that Equity Release Schemes are a good idea in theory they are generally unhappy with the schemes currently in the market. This suggests the need for further development of these schemes, perhaps involving partnerships between central and local government, along with the voluntary and private sectors. Targeted support for older home-owners with low levels of income and equity might also be considered.
- Non-pension savings and housing assets may be accessed in later life to improve living standards but they may also be bequeathed and therefore potentially improve the living standards of the next generation. But this study shows that receiving an inheritance is unlikely to raise the living standards of people with poor incomes in later life: those who receive substantial inheritances are already relatively affluent.
- There is considerable ignorance about the laws around inheritance, including around inheritance tax. Many cohabiting couples appear unaware of their disadvantaged position compared with those who are married.
- Inheritance tax is highly unpopular, but given the fact that *only 6%* of estates paid inheritance tax in 2003/04, calls to limit the scope of inheritance tax appear premature, especially given the possible link between inheritance and increasing wealth inequality.

1

Introduction

Background

The issue of inheritance has, until recent decades, concerned only a small percentage of the population because only this group has been rich enough to have assets to leave to others. The growth of home-ownership, however, has probably increased the number of people who will both bequeath and inherit assets. A number of important research questions follow on from this, such as:

- Will the growth of home-ownership lead to more bequests and how will this affect the distribution of wealth?
- How do attitudes to inheritance affect asset accumulation, if at all? For example, do expectations of inheritance limit asset accumulation or do people deliberately save and acquire assets in order to leave bequests?
- Will people use up their assets in later life to improve their living standards or will they maintain them for bequests or precautionary purposes?
- Will the receipt of inheritances help some people to make up for low incomes in later life?
- What do attitudes to inheritance tell us about the nature of intergenerational solidarity and kinship?

These research questions link in with a number of social policy debates currently taking place. For example, the Pensions Commission (2004) has considered the extent to which people might supplement their incomes in later life by drawing on their non-pension savings and housing wealth. The Commission noted that ownership of housing assets was significant and suggested two ways that these could be relevant to pension adequacy: "either via liquidation during retirement or via a bequest of housing assets to inheritors" (p 186). The Commission gave three reasons why it believed that housing equity is unlikely to be liquidated during retirement:

- economic rationality;
- emotional ties to the family home;
- the desire to bequeath.

It therefore concluded that while assets may not benefit their current owners, "over the long-term, the inheritance of housing equity may play a significant role in funding retirement for many people" (p 197). The Commission also noted that housing assets are unequally distributed and that those without private pensions have less housing wealth than others.

Although the Pensions Commission is sceptical about the extent to which people might liquidate their assets in later life, the potential for equity release developments is nevertheless widely debated within the financial services sector, as a report from The Actuarial Profession (2005) argues: "The Actuarial Profession is supportive of the development of the equity release market, as it believes that it can help empower older homeowners".

There is also currently a lively debate between the political parties about the future of inheritance tax. As of February 2005, the press was speculating that the Labour Party might introduce a banding system for inheritance tax (along the lines of an Institute for Public Policy Research recommendation), but this was subsequently denied by Gordon Brown. The Conservatives had issued a consultation paper outlining five policy options including an outright abolition of the tax.

The debate around long-term care has, perhaps, fallen down the public agenda but the use of assets in later life to pay for care is an issue which will, no doubt, resurface (see for example, LeGrys [2002]). Meanwhile the role of assets generally has become part of the broader policy debate around asset-based welfare (Paxton, 2003).

All of these policy issues can be better informed through an understanding of attitudes to assets and inheritance, along with data on actual patterns of inheritance. But, to date, there has been very little research in this field. Most of the research that has taken place has been within economics and sociology rather than social policy, as follows:

- studies analysing the effect of inheritance on wealth inequality (Wedgwood, 1929; Stiglitz, 1969; Atkinson, 1971; Harbury and Hitchens, 1979; Menchik, 1979; Forrest and Murie, 1989; Forrest et al, 1990; Hamnett et al, 1991; Gokhale et al, 2001; Wolff, 2002; Szydlik, 2004);
- studies exploring 'bequest motives' (Bernheim et al, 1993; Wilhelm, 1996);
- studies looking at the extent of inheritance (Holmans, 1991, 1997a, 1997b; Hamnett, 1997);
- studies examining the links between inheritance and kinship (Finch et al, 1996; Finch and Mason, 2000; Szydlik, 2004).

The findings from these studies are discussed elsewhere (Rowlingson and McKay, 2004a), but as Hancock et al (2002) discovered when reviewing the literature in this field, there are actually very few empirical studies that have measured people's attitudes to inheritance. So, the Joseph Rowntree Foundation (JRF) funded the Universities of Bath and Bristol to carry out research in this area.

The main aim of the study was to measure people's attitudes to inheritance. We wanted to discover how much support there is for the concept of inheritance and how this varies within the population, for example by age, family type and socioeconomic status. A further research question was how do attitudes to inheritance affect financial behaviour? For example, do older people 'live poor to die rich' so that they can leave a bequest? Or are they quite happy to 'spend the kids' inheritance'? Or perhaps they would like to use up some assets to maintain a modest lifestyle but keep something to pass on when they die. This study set out to measure people's attitudes to inheritance and place people's views within the context of attitudes to assets more broadly.

The demographic context

Issues around inheritance must also be placed in the context of changes in demographic patterns and family practices. People are having fewer children – some are having none at all. According to the General Household Survey, the percentage of single people aged 75 or more *without* adult children (including step-children) was 25% in 1998/99. So, a quarter of that group had no adult children (Hancock et al, 2002). How will people without children view asset accumulation and use? Who will they leave their assets to, if they have any? Will their attitudes to inheritance be different from those who have children?

Another important demographic change is related to increased life expectancy. People are living longer and there have been changes in gaps between generations (due to women having first children at later ages). This affects the age at which people might inherit any assets. For example, someone born in 1946 from a statistically typical family could have expected to inherit from his or her parents at the age of 56 (that is, in 2002). Those born in 1891 would have been 37 on average when their parents died (Anderson, 1985).

The growth in divorce, lone parenthood, remarriage and step-families has created more complex family relationships and forms (Rowlingson, 2001). This may also affect who expects to, and who actually, receives an inheritance.

Changes in demography and family forms affect the timing and nature of inheritance but Finch and Mason's (2000) research goes much further in linking issues around kinship and inheritance. They see inheritance as both a reflection of kinship and as a way in which kinship is constituted. Izuhara (2002) compares Japanese and English perspectives on the 'generational contract' in relation to care and inheritance. In Japan, families are obliged to provide care for relatives and inheritance is legally protected. In England, family members are not legally obliged to care for their elders nor is there any legal obligation for elders to bequeath to their children. But despite these legal differences, spouses and children are the main beneficiaries of inheritances in both countries and nursing care is most often provided by relatives in both countries. But Izuhara notes that changes are occurring in Japan that might affect this generational contract as co-residence of different generations is declining and the growth of female employment might also affect the provision of family care. Izuhara (2002, p 75) concludes that "the generational contract is becoming ambiguous and fragmented".

Britain is a multi-ethnic community and there may be cultural differences in practices and attitudes related to assets and inheritance. Nesbitt and Neary (2001) argue that Pakistani and Bangladeshi attitudes to pensions are very different from those of other groups and are based on a very strong notion of the intergenerational contract. Furthermore, the Asian community has a high rate of home-ownership and a low rate of divorce and lone parenthood. So, again, practices and attitudes among different ethnic groups may reflect these differences. In the US, Avery and Rendall (2002) found that inheritances increased the wealth gap between Black and White people. Even though Black people were more supportive of the concept of inheritance, their lack of assets, compared with White people, put them at a massive disadvantage in terms of the distribution of wealth and the way it moves down generations. They called for the policy focus on earnings disparities between White and Black people to shift towards policies to redress wealth inequality.

Szydlik (2004) argues that support within society for intergenerational solidarity through inheritance is at odds with support for greater socioeconomic equality. Szydlik points out that those with greater assets have fewer children and so do not have to split their assets very much. These people also partner others with similar levels of assets, thus allowing couples to inherit twice. The women in these couples are more likely to work and so accumulate more assets during their lifetime (the dual-earner–no-earner divide is strong in Britain). Those wealthy people who do not have children may give their money to charities, but they may also bequeath it to nephews and nieces so that a minority may inherit substantial amounts more than twice over.

Research methods

As the intention of the study was to *measure* attitudes, a quantitative survey was the central component but this was informed by initial development work (a literature review and secondary analysis of quantitative and qualitative data) followed by four focus groups with owner-occupiers.

Attitudes to inheritance may vary by age and so one of the focus groups comprised younger people (aged 25-44), one comprised middle-aged people (aged 45-64) and two comprised people aged 65 plus. The focus groups comprising younger and middle-aged people excluded those in professional occupations (social classes A and B) in order to concentrate on people of more moderate resources (a group of particular concern to the Joseph Rowntree Foundation). The focus groups containing older people (aged 65 plus) were split between those in areas of relatively high property values and those in areas of relatively low property values. Aligned to this, one group included people for whom the state pension was not their main source of income and the other groups included people for whom the state pension was their main source of income.

We employed PlusFour to carry out the recruitment and organise the groups. They recruited respondents using a screening questionnaire designed by the research team. All of the discussions were moderated by Karen Rowlingson in April 2004 and they were all tape-recorded.

The main findings from the focus groups suggested that once respondents began discussing the issues, people found the subject very interesting and even young people found it easy to talk about their attitudes to inheritance. The discussions were very lively and people seemed happy to disclose their attitudes openly. Understandings of what ‘inheritance’ meant varied and so the study questionnaire needed a clear definition of the term. A range of topics covered and these were drawn on when designing the questionnaire. This report also draws on some of the findings from the focus groups to illuminate the survey results. A full report from the focus groups is available at http://staff.bath.ac.uk/ssskr (Rowlingson, 2004).

A new survey was the centrepiece of the study and this was designed to provide around 2,000 completed interviews in 60 randomly selected wards across Britain. A pilot took place in June 2004. The research was initially set up as a preselected survey of randomly selected addresses and with the interviews to be completed with a random person at each address. However, during the course of the fieldwork it became apparent that the response rates were lower than expected. In those wards where interviewing had begun (and therefore finished) first, a response rate of 51% had been achieved. This had only been achieved after considerable efforts on the part of the interviewers. It therefore became clear that 2,000 interviews would not be achieved within the timetable and budget available if the random sampling method was continued. The sampling strategy was therefore switched to a quota design and the rest of the interviews were completed on this basis. In total, 2,008 interviews were completed – 1,066 based on random sampling and 942 based on quota sampling. Further details on this are provided in the Appendix.

All interviews were completed using Computer Assisted Personal Interviewing (CAPI), face-to-face in respondents’ homes, between 5 July and 7 October 2004. The fieldwork was carried out by MORI.

Unweighted data was supplied by MORI. The random sample was then weighted by household size so that all individuals in the population had an equal chance of being selected. This was necessary because the sample came from a list of addresses (the Postcode Address File) and so individuals in smaller households would have had a greater chance of being selected for interview compared with individuals in larger households. The sample profiles from both the quota and random samples were checked against existing information on the population, as detailed in the Appendix. The two samples were then merged and weighted by age and gender to provide a representative sample of the general public.

The Appendix to this report contains further details of all empirical methods used in this study.

Conclusions

Data on attitudes to assets and inheritance can help inform a number of important policy debates. For example, if people are willing and able to access their housing equity in later life this could possibly supplement their income to improve their living standards. But if people are keen to maintain their assets for bequests they will not improve their own living standards (but may improve the living standards of their beneficiaries). Debates around paying for care in later life can also be informed through evidence on people's attitudes to assets and inheritance. And such data can also play a role in informing the policy debate around asset-based welfare. Evidence about actual receipts of bequests is also important in debates around the transmission of wealth inequality down generations.

Given the potential importance of data on attitudes to assets and inheritance it is surprising that so few studies have been carried out in this field. This was the rationale for this study that set out, primarily, to measure people's attitudes. Following preliminary development work and some focus group discussions, a survey of 2,008 people was carried out from July to October 2004. This study provides the most comprehensive and reliable data now available on people's attitudes to, and receipt of, inheritance in Britain.

2

Expectations of receiving an inheritance, and perceived needs

Introduction

Owner-occupation has increased markedly in recent decades, from 49% in 1971 to 69% in 2002[1] and so it is likely that more and more people will inherit something when an older relative dies. But we know very little about people's expectations of inheritance and whether or not they might change their economic behaviour because of such expectations. For example, people might save less towards their retirement because they expect to receive inheritances that will help them make ends meet in later life.

Previous qualitative work suggests that people are reluctant to count on inheriting assets (Finch et al, 1996). Some have general expectations about receiving an inheritance but prefer to see such windfalls as a bonus rather than something that is guaranteed to happen. The focus groups carried out for this study similarly suggested a reluctance to use the word 'expect' in relation to inheritances, but people nevertheless thought there was some likelihood they would inherit. This reluctance to use the word 'expect' was related to a view that people should not see inheritance as a right. And this, in turn, reflects the principle of 'testamentary freedom' enshrined in English law (covering England and Wales, but not Scotland) that people have no automatic rights to the estates of their relatives.

Until 1938, testators in England and Wales could decide to leave their assets to whomever they wished but this total freedom was modified by the 1938 Inheritance (Family Provision) Act, which gave spouses and dependent children some claims to the estate of their spouse/parent (Finch et al, 1996). In the 1970s, a majority of the public thought that the law should go even further and set fixed rules in terms of inheritance but the Law Commission (Finch et al, 1996) said that this was not necessary because of new proposals for joint ownership of homes (whereby property would pass automatically to a partner on the death of a partner with whom there was joint ownership). Also, the rise in divorce caused complications in terms of making simple rules about inheritance. But some legislation was introduced because the law at that time treated sons and daughters differently and the definition of dependant was seen as too narrow. The 1975 Inheritance (Provision for Family and Dependants) Act allows dependants to claim against an estate if they feel they have not been adequately provided for.

In Scotland, surviving spouses have prior legal rights to the deceased's estate according to the 1964 Succession (Scotland) Act. Prior rights are distributed first out of the

[1] According to data from the General Household Survey, cited on the Office for National Statistics website: www.statistics.gov.uk/cci/nugget.asp?id=821

deceased's estate and include rights to the deceased's interest in the dwelling-house that the deceased and surviving spouse formerly shared, the furniture and plenishings, and to monetary provision (Edwards and Griffiths, 1997). These rights cannot be excluded by the deceased in any will. Children also have some rights under Scottish law.

This chapter explores people's expectations of receiving inheritances. It analyses people's forecasts of how likely it is that they might receive different types of inheritances. The chapter also finds out from whom people are expecting to inherit. It then describes the kinds of people who have the greatest expectations and also examines why some people are uncertain about whether or not they might inherit anything.

The final section investigates whether or not people think that they *need* to inherit assets. With ongoing reductions in the real value of the basic state pension, people in later life might benefit greatly from the receipt of an inheritance. Similarly, younger people might feel that they need to inherit assets to help with the costs of education and house purchase. But how do people themselves perceive their needs?

Expectations of receiving an inheritance

People's expectations of receiving an inheritance vary depending on how they are asked about this. This is why our survey contained a number of statements all tapping into slightly different attitudes. For example, we began our survey by asking people whether they agreed or disagreed with the following statement:

These days most people expect to inherit property or money from their parents.

As mentioned earlier, previous qualitative research has suggested that people are reluctant to say that they expect to inherit anything, so it is surprising, perhaps, that as many as 63% of the population agreed with this statement and only 22% disagreed. The rest (14%) neither agreed nor disagreed. This indicates that people perceive there to be a high level of expectation of inheritance within the population as a whole.

But when people are asked more directly about expectations within their own family, levels of expectation fall somewhat. For example, when parents with children aged 18 or over were asked about their own offspring's expectations, 46% said that their children expected to receive something and 42% thought that their children did not have such an expectation. This is lower than the more general figure but still nearly half of all parents with adult children think that their offspring expect to receive something. This, again, seems higher than we might have expected given previous qualitative research. So perhaps this is evidence that expectations are increasing?

We then asked respondents about their own personal expectations. We asked them the following question:

How likely do you think it is, if at all, that you and/or your partner/spouse might receive … (see (a)–(c) below) at some time in the future from someone when they die?
(a) house/flat/property/land or share in house/flat/property/land
(b) money or savings
(c) personal items (such as car, jewellery or ornaments)

Figure 2.1 shows the answers to this question and we can see that a total of 14% of the population thought that they would 'definitely' receive property and another 13% thought that they would 'definitely' receive money. This suggests that there is a minority for whom inheritance is considered to be a certainty. A further 14% thought that they were 'very likely' to receive property as an inheritance and 16% said the same about money.

All in all, this suggests that about 3 in 10 members of the public thought that they have a very good chance of inheriting property and/or money. And others thought that they might inherit something but were not so sure.

This leaves about half of the population, however, who said that they were 'not very likely' or 'not at all likely' to receive property or money. The expectation of receiving an inheritance was therefore by no means universal.

One of the reasons for measuring people's expectations of receiving an inheritance is because if people think that they will definitely receive something in the future this might reduce their efforts to accumulate assets for themselves. This analysis suggests that there is a minority who might change their behaviour in expectation of a future windfall, but most people's asset-accumulation behaviour is unlikely to be affected because they think that their chances of inheriting are very low or very uncertain.

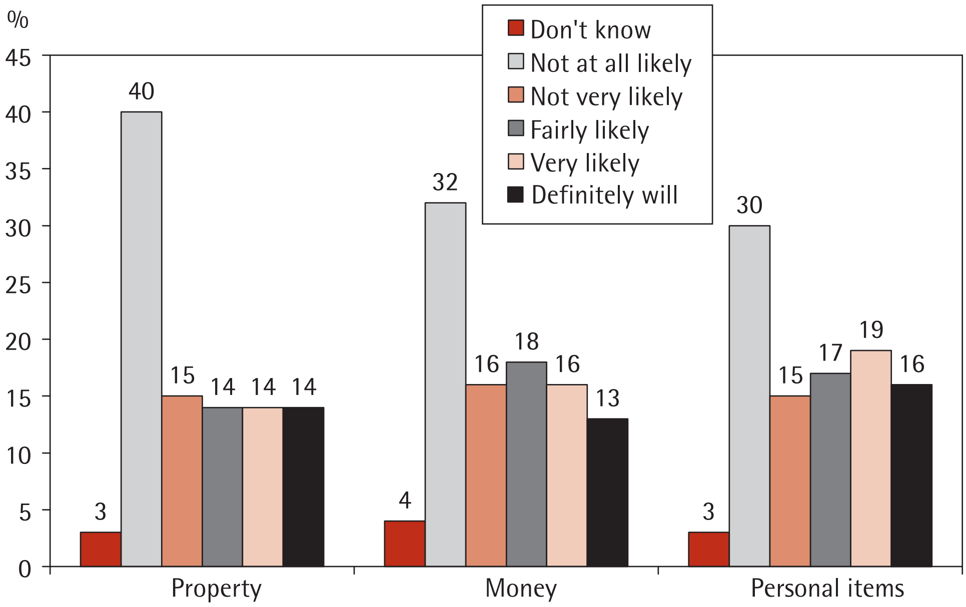
Figure 2.1 shows expectations for each of three possible inheritance types. If we combine these we find that 20% of the population thought that they would 'definitely' receive *one or more* type of inheritance and 9% thought that they would 'definitely' receive *all three* types of inheritance. At the other end of the spectrum, 28% of the public thought that they were 'not at all likely' to receive *any* of these types of inheritances.

The qualitative work highlighted a number of reasons why some people were uncertain about whether or not they would receive an inheritance. Some focus group participants mentioned that their parents were spending their money rather freely and so there might be little left; others mentioned that inheritance tax would take quite a lot; others mentioned the costs of long-term care, funerals and so on:

> "The rate my parents are spending their money since they retired, going on holiday, there won't be much left ... and also so much of it goes in tax now."

> "... and funerals are expensive now, and solicitors."

Figure 2.1: Expectations of receiving different kinds of inheritance (%)



Increases in partnership breakdown and remarriage also make it difficult to be certain about receiving inheritances. One respondent talked about his family situation. His parents had been divorced for eight years and his father had remarried:

> "My dad's got a golden handshake from work and all the house is his … and if he dies before his [second] wife then she gets to live there all her life and get an income but there is all this complicated stuff about – her son won't get the house ... and then it comes to me and my brother when she goes … but if she outlives my dad by 15 years then an awful lot of what has happened in the house will be what she has done and so it could get really messy ... and then if she goes into a home whatever is left could disappear in a few years."

While some respondents were uncertain about whether or not they would receive anything, others (nearly 3 in 10), thought they had a very good chance of inheriting. They said that they would either 'definitely' or 'very likely' inherit property and a similar proportion said the same about money. But from whom were this group expecting to receive these inheritances? Nine out of 10 (91%) expected to receive inheritances from their parents but 15% expected to get something from grandparents and 5% expected to receive something from uncles and aunts. A few thought that other relatives, such as brothers and sisters, might also leave them something (see Table 2.1).

Of course, not everyone has a living grandparent and so could not possibly expect to inherit from them. So we asked respondents in the survey if they had any grandparents who were still alive and among those who did, 40% thought that they might receive an inheritance from them. Expectations of inheritance from grandparents therefore appear quite high.

Which groups have the highest and the lowest expectations of inheriting?

People's expectations were therefore quite mixed, with a minority thinking it was certain that they would inherit, a significant proportion feeling that there was some likelihood of inheriting, but an even greater proportion believing that they had very little chance of receiving anything. So which groups have the highest expectations and which have the lowest?

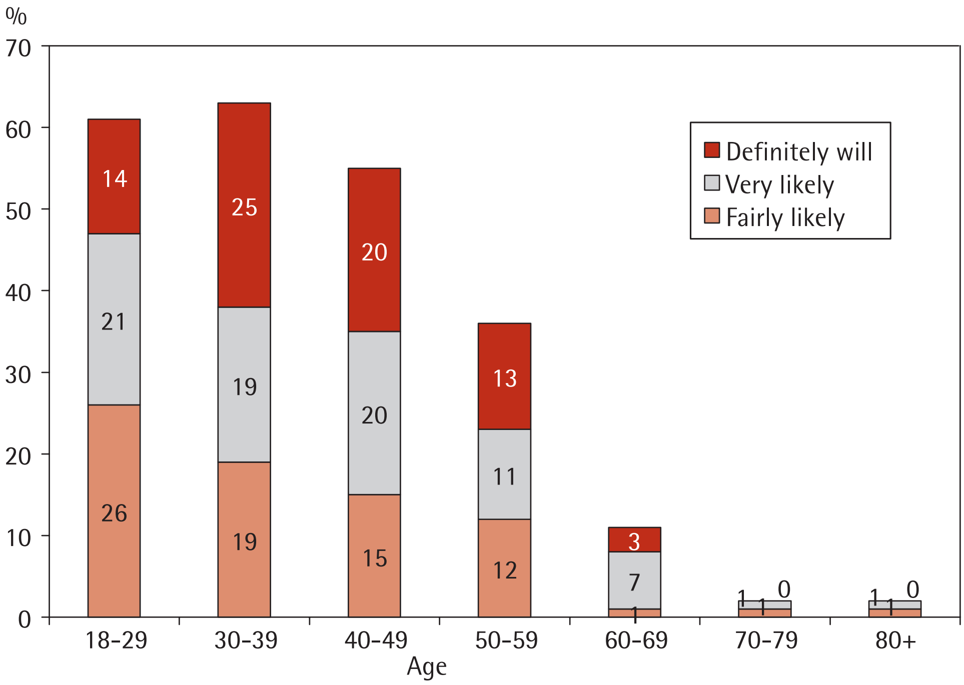
Table 2.1: Expectations of who might leave you an inheritance (%)

	All
Parents	91
Grandparents	15
Great-grandparents	*
Uncles/aunts	5
Great-uncles/aunts	1
Brothers/sisters	4
Other relatives	1
Non-relatives	2
Unweighted base	1,082

Base: All who say they/their partner will definitely/very likely receive an inheritance at some point in the future
Note: *fewer than 0.5 per cent but more than zero.

Figure 2.2 focuses on the expectations of receiving an inheritance involving property as this type of inheritance is likely to be the most substantial. It shows expectations by age and it is clear that younger people had greater expectations of receiving property than older people. For example, a quarter (25%) of those in their thirties thought they would 'definitely' receive property as an inheritance and the same was true for 1 in 5 (20%) of those in their forties. Once again, this seems to show a surprisingly high level of expectation. So why was there such a relationship between expectations and age?

Figure 2.2: Variations in expectations of receiving a property by age



Much of this can be explained by the fact that older people are less likely to have living parents. As shown in Table 2.1, over 90% of people who expected to inherit expected to do so from parents; thus, few people whose parents have died expect to receive an inheritance in the future. One potential explanation for the link with age that is *not* supported by the findings is that older people are more likely already to have inherited and so would not expect to do so again. In fact, those who have already inherited were *more* likely to expect a further inheritance, probably because of a concentration of inheritances in affluent families. Someone who has already received an inheritance from a grandparent, for example, is also likely to receive something from a parent. Also, their partner is likely to receive something from the other side of the family.

Expectations of inheritance start to drop at around the age of 50, when three fifths of people still have living parents (Grundy et al, 1999). However, those parents are less likely to be home-owners than the parents of younger cohorts. This explanation is confirmed when we analyse the relationship between expectations and the housing tenure of respondents' parents. Respondents were asked if they had any parents still alive. They were then asked whether their parents had ever been owner-occupiers and if they had, whether or not they still were. Just under half of all respondents (45%) had living parents and, *of these*, two fifths (42%) had parents who were currently owner-occupiers. Among those with parents who were currently owner-occupiers, a quarter said that they will 'definitely' receive property as an inheritance at some time in the future. A further 25% said they were 'very likely' to do so. This group therefore had particularly high expectations. Respondents whose parents were not owner-occupiers had much lower expectations.

A number of other variables had a statistically significant relationship with people's expectations of receiving property as an inheritance. For example, those out of work, in low social classes, in social housing or with low incomes were much less likely to expect an inheritance than others. Nearly 6 in 10 (58%) of people in social class E (mostly those on benefits) thought that they were 'not at all likely' to receive property as an inheritance compared with about 40% of the population as a whole. Disabled people and carers had lower expectations than average. There was no gender difference on this question.

There also appears to be some relationship between expectations and ethnicity, with Black and 'other' minority ethnic groups having lower expectations than White and Asian groups. But the sample sizes are small here and the conflation of different ethnic groups into overarching categories (such as Black and Asian) leads us to be cautious when interpreting these findings.

As mentioned in the introduction to this chapter, Scotland has a different legal framework in relation to inheritance compared with England and Wales. Dependants in Scotland have rights over estates that their English and Welsh neighbours lack. We might expect this to be reflected in different levels of expectations. But obviously Scottish people are also different from English and Welsh people in terms of demographic and socioeconomic characteristics, so our analysis focuses on all those with living parents who were currently owner-occupiers. When we focus on this group and analyse the percentages of people saying they will definitely receive something, respondents in Scotland with owner-occupier parents were actually slightly less likely to feel certain to receive something than those in England and Wales. So there is no evidence here that expectations in Scotland are higher than in England and Wales.

High expectations were therefore characteristic of younger people, especially those whose parents were currently owner-occupiers. But it is important to say that even among groups with relatively low expectations there were still some people who thought they had some chance of receiving an inheritance (by 'some chance' we mean that they said either that they would definitely receive something or they were very or fairly likely to receive something). As Table 2.2 shows, more than a quarter of those on Income Support (IS), Job Seeker's Allowance (JSA) or Incapacity Benefit (IB) thought there was some likelihood of receiving property in the future. And a third of lone parents had some expectations of receiving property; 40% thought they had a chance of receiving money. About 1 in 5 of those in social class E (mostly people on benefits) felt there was some chance of receiving property, a similar percentage as for social renters. And about 3 in 10 of each group thought there was some chance of receiving money. The lowest expectations were among people who had no living parents or grandparents but even here just over 1 in 10 thought there was some chance they might receive something in the future.

The findings from the quantitative survey can be illustrated by the data from the focus groups with owner-occupiers. People in the youngest focus group were mostly in their late twenties or very early thirties and had no children. All of their parents were home-owners. Most of these had some degree of expectation of receiving an inheritance. Indeed, some people were willing to use the word 'expect' and this fits in with the quantitative research suggesting a possible a change in opinion from earlier studies. Also, there was an indication that some people felt they had a right to inherit – morally if not legally:

> "Personally I do expect to get something. I don't know whether I will or not. I don't know what's stated in my dad's will or anything but I do expect to get something."

However, many of those in the focus groups said that they did not feel there was any certainty about receiving an inheritance from their parents but that they would be surprised if they did not receive anything:

> "I don't expect to get anything, but if I didn't I'd be a bit miffed as to why, but having said that, if I, when I have kids I'd expect to give my kids something when I've died. I expect them to inherit my assets."

Table 2.2: Expectations of receiving an inheritance among poorer groups (%)

Likelihood of receipt	Some likelihood[a] of inheriting property	Some likelihood[a] of inheriting money	Unweighted base
Average for sample as a whole	41	48	2,008
Lone parents	32	40	167
Social renters	19	30	335
Income Support/Jobseeker's Allowance recipients	29	43	154
Incapacity Benefit recipients	26	33	119
Income £100-199 per week	18	23	324
Disabled people	17	23	475
Social class E	16	27	237
Those with no living parents/grandparents	11	15	841

Note: [a] those who say they will definitely or very or fairly likely receive an inheritance.

The focus groups with middle-aged owner-occupiers (aged 45-64) included many people who were the first generation in their families to own their own homes. One person explained the reason why he did not expect anything:

> "I won't get anything when my parents die because they haven't got anything."

Another had a similar story:

> "My mother and father didn't have a house so there was certainly no argument over that ... the only thing they left behind was debts."

This confirms the main survey results that many people in lower income groups have no immediate prospect of benefiting from a 'trickling down' of the nation's wealth through inheritance.

Perceived need

So far, this chapter has concentrated on whether or not people *expect* to receive something. Now we turn to the issue of whether or not they feel they *need* to inherit assets. The Pensions Commission (2004) has suggested that people in later life may greatly benefit from receipt of inheritance to maintain their living standards. Other groups may also benefit from a windfall – but do they think they need to receive an inheritance?

Respondents were asked whether they agreed or disagreed with the following statement:

> *These days most people need to inherit property or money from their parents.*

The public is quite split on this matter, with 38% agreeing with the statement and 44% disagreeing. Surprisingly, perhaps, views on this matter were not linked to age. Those in their fifties and approaching retirement were no more likely to say that people needed inheritance than those in their twenties. Nor was there any real difference between those with or without children.

People who had children aged 18 or over were asked whether or not they thought that their own children needed to receive property or money from them. People were much more likely to disagree with this statement than with the earlier statement referring to people in general. Only 24% of the population agreed that their children needed to receive an inheritance compared with 63% who disagreed. Age was a relevant factor here, with those over 60 more likely to disagree with this statement than those in their forties and fifties.

We might expect some variation in need by socioeconomic characteristics, with those in poorer circumstances feeling that they have most need. For example, we might expect those in social housing to think that their children would need to inherit something in order to buy a home, but while there was a link between attitudes to need and housing tenure, those in social housing were actually much *less* likely to think that their children needed to receive an inheritance (15%) than those in owner-occupation (26%). At first sight, this might seem counter-intuitive because we might think that poorer people would have a greater need of inheritance than those who are more affluent. But those who have never received inheritances in the past have clearly managed without them and so do not see them as a necessity in the same way that people from more affluent backgrounds have come to rely on inheritances. Following on from this, in families where owner-occupation and/or higher education have become an expectation, there is an obvious reason for perceiving a need for capital. For people living day-to-day and renting their home, perhaps without such aspirations for their children, assets may have less meaning for them.

This hypothesis is backed up when we compare the views of those in the professional social classes, AB, with people more generally, as 29% of people in social classes AB thought that their children needed to receive an inheritance compared with 21% of those in social class C1, 24% in social class C2 and 21% in social classes DE. Those whose children, objectively speaking, appear least in need of a windfall, were most likely to say that they did in fact need it.

The issue of need was explored further in the qualitative work that involved focus groups with owner-occupiers. There was general agreement among all age groups that young people needed help initially to establish themselves but then had to sort out their own problems after a certain age:

> "She's had a good start and now it's up to her ... obviously if she come to us and she was absolutely desperate for money then you'd help her out, but hopefully now she don't owe any money she'll be able to have a good start."

Members of the youngest focus group (mostly in their late twenties) certainly took the view that parents should help their children through lifetime gifts:

> "I'd like to think that if you had two children in their thirties you wouldn't get to retirement age until you actually did something about them struggling, if they were struggling, helping them out whenever you could any time along the way."

These qualitative findings are backed up by the survey evidence, with 77% of respondents agreeing that: 'It is better to give children money when they need it than to save it to leave as an inheritance'.

But there was disagreement between younger and older people about the age at which children should be self-sufficient. Older people tended to think that children in their thirties should no longer need any help. Younger people tended to think that 30 was still rather young!

There was also a view that if children really fell on hard times through no fault of their own then parents would help them out at any stage of their lives. For example, one woman had helped her daughter buy her own home after she was divorced and had children to look after. Another helped his son when his business failed:

> "If they need it, you give it to them."

> "If you have children, you support them."

But there was also a feeling among some older people that children who were given too much financial support would not learn self-reliance:

> "You're depriving [them] of the opportunity to fend for [themselves]."

> "You don't appreciate it if it's given you, not like if you earn it."

This relates back to points made by Finch and Mason (2000) that people's views about assisting children financially were bound up with notions of 'good parenting'. And these qualitative findings are also supported by the survey evidence, with 86% of the public agreeing that: 'People should be financially independent of their parents'.

The focus groups suggested that a degree of generational tension existed between different groups, as many of the older focus group members felt that young people today had a much easier time, financially, and so did not need inheritances as much as they (the older generation) needed their assets during their own lifetime:

> "When we got married we lived in two rooms and I worked. I'm not ashamed to say that I even done charring at one time to make ends meet, but to have sort of enough money from your grandparents to buy a house at 24 and get married, it's lovely, yeah, I can see that, but I sometimes think you're taking away from them the chance to prove themselves."

> "All your grandchildren now have got cars, 17-, 18-years-old. I didn't have a car until I was 30."

The people in the youngest focus group did not feel that their generation had things quite so easy:

> "Both my parents earn far more than I do and I could definitely do with some [money]. They're quite well off."

Other young people thought that the younger generation were better off in some ways but not others:

> "Relatively, younger people earn a lot more money comparatively, to my parents when they were a lot younger, but things like education – it's a lot harder for us to get a decent education and a decent education doesn't mean as much as it used to. The housing market is incredibly difficult to get on the property ladder. Before, you could buy a house for what we can pay for a brand new car. My parents' house is worth seven times what it was when they bought it because they haven't moved in 25 years."

The relative needs of different generations were therefore hotly debated.

Conclusions

People had different expectations of receiving property or money as an inheritance. About half of the general public say that they are 'not at all' or 'not very likely' to receive an inheritance. But a substantial minority, about 3 in 10, think that they will either definitely or 'very likely' receive something. This seems quite a high degree of expectation given all the possible uncertainties about what might happen to money and families in the future (for example, it could all be spent on long-term care or be willed to a step-family). It also seems higher than was suggested in earlier qualitative studies. This could indicate an increase in people's expectations, although the earlier research was all qualitative and so provided no firm statistics with which to compare. Some groups, such as those whose parents are currently owner-occupiers, have particularly high expectations of receiving something.

There is an important policy issue here if those with the highest expectations change their financial behaviour accordingly, for example, saving less than they otherwise would or taking more financial risks in the knowledge that they will have something to fall back on in the future. If the expected inheritance does not materialise their financial situation may be bleak. But most of those with the highest levels of expectation come from more affluent backgrounds and so these people do have other resources to rely on.

While it is certainly true that those with the highest expectations come from more affluent backgrounds, it is also true that some of the poorest groups also think that there is some chance of receiving an inheritance. The issue of inheritance is not solely the concern of an elite but affects a significant proportion of the population, even some in poorer groups. The policy issue here is whether poorer groups might reduce any saving or pension accumulation in expectation of an inheritance, but this seems unlikely given that their expectations of receiving anything are relatively low.

The survey findings also highlight the difference between the objective need for a windfall and the perception of needing to inherit. Poorer groups are much less likely to say that their children need an inheritance while more affluent groups, perhaps with higher expectations for their children, are more likely to say their children need an inheritance. As well as differences between socioeconomic groups, there are also differences between generations in their views about needs. In the focus groups, those in their fifties argued that they needed their assets more than their children needed to inherit them. Those in their twenties and thirties took a rather different view, suggesting a degree of intergenerational tension on this subject.

3

Experience of receiving an inheritance

Introduction

Most of this report is about people's *attitudes* towards receiving inheritances and leaving bequests, but in this section the focus is on *experiences of receiving* inheritances. There have been some studies that have measured receipts of inheritance (see 'Comparing the survey findings with previous research', p 17). Previous research has also considered what people do with inheritances once they receive them. Finch and Mason (2000) identified three things that people do with inheritances:

- give some/all money away;
- keep/invest it;
- spend it.

The boundaries around these are not necessarily clear as money can be spent on other people (and thereby becoming a mix of spending and giving away), money can be spent on an investment (such as a house) and money can be 'invested' purely because of indecision about what to do with it.

Finch and Mason (2000) suggest that it is not very common to give inherited money away (perhaps because it might be seen as going against the testator's wishes). But sometimes money is given to children or to elderly parents – perhaps because this is what the inheritor believes that the testator would have wanted/approved of/expected. Finch and Mason (2000) suggest that keeping/investing money is the most popular outcome, perhaps because inherited money is seen as special and so should be treated differently from other money. It represents the sum of someone's life achievements. But this can also be a holding strategy as all the time the money is still there, the person is still there in some way too. The relationship to the testator is prolonged.

A key policy question in this area relates to what the effect of receiving an inheritance might be on an individual. The Pensions Commission (2004) is particularly interested in this subject as it believes that receipt of inheritance might enable people to supplement poor levels of income in later life. Very little longitudinal data exists, however, with which to answer this question. The Future Foundation (2002) has carried out some analysis of the British Household Panel Survey (BHPS) in this area and found that the receipt of inheritance generally has a positive impact on people's perception of their financial well-being, the more so the larger the amount received. But it takes a very large inheritance (over £20,000) to make much impact on other areas of life satisfaction such as satisfaction with social life. Research on lottery winners (MORI, 1999) suggests that even if people win more than £200,000, few give up their jobs or make major changes to their lives. Those who become millionaires are more likely to make such changes. But the impact of receiving a windfall, whether an inheritance or a lottery win, is likely to vary substantially by socioeconomic characteristics. A windfall of £5,000 will make much more of a difference to someone on benefits than to someone in the professional classes.

Another key policy question relates to the effects of bequests on the transmission of inequality (see Rowlingson and McKay, 2004b, for a review). Studies in economics have come up with differing conclusions (mostly related to the different assumptions built into simulation models). A study by Gokhale et al (2001) is perhaps the most sophisticated and empirically grounded simulation model to date. They conclude (2001, pp 124-5) that "the inheritance of bequests is an important contributor to wealth inequality…. We find that skill differences, the annuitisation of retirement savings, assortative mating, and the skewness of the upper tail of the earnings distribution, are the major factors underlying intragenerational wealth inequality".

There are also differences of opinion between social policy researchers as some stress that the growth of owner-occupation has spread assets (and potentially inheritance) to a far greater number than would ever have previously had these. But the value of these assets/inheritances is heavily skewed and some people (about 3 in 10) have no housing assets at all. Wolff (2002) used data from the US Survey of Consumer Finances to analyse inheritances and wealth inequality in the US from 1989-98. He found that richer households did receive greater inheritances and other wealth transfers than poorer households. But, as a proportion of their current asset levels, wealth transfers were actually greater for poorer households than richer ones. As he puts it (2002, p 263), "a small gift to the poor means more than a large gift to the rich". But Wolff does not conclude from this that inheritances reduce wealth inequality because, he argues, poor people tend to spend their small inheritances while rich people are able to add them to their current stock of assets.

This chapter begins with an analysis of how commonly people inherit, the kinds of things inherited and how much the inheritance was worth. It continues with analysis of the source of inheritances and the kinds of things that people do with inheritances. It concludes with a brief look at gifts given during people's lifetimes, which might be thought to be a substitute for inheritance (a kind of 'pre-inheritance').

Comparing the survey findings with previous research

Previous studies of inheritance have not attempted a full description of patterns of inheritance, but instead have looked at particular goods (such as housing), inheritances of a particular monetary value, or at inheritances received within a particular period of time. This means it is possible to make some comparisons between this survey and other sources, in a piecemeal way, looking at those questions with most similarity between sources. Our survey attempted to provide the most comprehensive data on receipt of inheritance through the use of the following survey question:

From this card (see (a)–(c) below), which of these, if any, have you ever received as an inheritance from someone who has died, including from a partner/spouse?
(a) house/flat/property/land or share in house/flat/property/land
(b) money or savings
(c) personal items (such as car, jewellery or ornaments)
(d) stocks, shares, trusts or other investments
(e) a business
(f) none of these

Questions were then subsequently asked about any partner's/spouse's experience of inheritance alongside any children's (aged under 18). For those who had received any kind of inheritance, follow-up questions were asked on how many separate occasions respondents had received an inheritance. And for each (up to a maximum of three inheritances), respondents were asked when they received it, what kinds of things they inherited, from whom they received it, what the total financial value of the inheritance was at the time received and what they did with it.

Other surveys have provided much less comprehensive data on inheritance but it is still worth double checking our data against these other studies. First, the General Household Survey 1995 showed that about 10% of respondents aged 16 or over had inherited at least £1,000 from someone other than a spouse in the past 10 years (Hancock et al, 2002). Our own analysis of the new survey found that 14% had inherited at least £1,000 in the past decade. This provides some indication that the incidence of inheritance may be increasing, but it remains difficult to accurately compare the real values of sums received during different time periods. Analysis we present later in this chapter does, however, suggest a rising rate of receiving inheritance. Younger people are more likely to have inherited at any given age than their older predecessors.

Hamnett (1991) placed questions on the National Opinion Poll's Omnibus survey in 1988 and found that 15% of respondents lived in households that had received an inheritance of at least £1,000 at some point in the past. Again, by way of comparison, some 29% of our respondents lived in families where someone (respondent, partner or child) had inherited at least £1,000. The higher figure doubtless reflects, at least in part, price inflation over the period 1988-2004. In fact, 20% of our sample had experience of inheritances of at least £5,000 within the family. Despite problems of comparability, again the current survey arrives at higher figures, with an implication of rising rates of inheritance over time. We also found that 11% had *ever* inherited a property (or a share in it), compared with a figure of 9% quoted in Hamnett's study.

The BHPS has also asked questions about inheritance over several years of the survey, and we have carried out analysis of the data from 2001-02 (BHPS wave 11). This showed that 2.5% of the sample had received an inheritance in the year preceding the interview. In our study, 2.6% had inherited in 2004, even though 2004 was only a partial year, with most respondents interviewed six to nine months into that year. In the most recent complete calendar year at the time of interview (2003), 3% had received an inheritance. These figures are rather similar, perhaps higher in the present study that was specifically about inheritance.

A similar question was asked in the English Longitudinal Study of Ageing (ELSA). In that study, 2.9% had received an inheritance in the last year[2], perhaps surprisingly only a little higher than the BHPS found for the whole age range. In this new study, some 3.9% of those in England aged 50+ had received an inheritance in 2004 (a period somewhat less than a year).

There are strong difficulties in making ideal comparisons between the surveys. Questions and time periods differ. However, the comparisons do suggest that the new survey gives figures similar to other inquiries, perhaps with higher levels of inheritance. We suspect that this arises from the development work we put into questions that would make clear what we were looking for, and not exclude particular types of inheritance. So we may have confidence in the results relating to inheritances received.

[2] We are grateful to Angela Donkin of the Department for Work and Pensions for providing this result from the ELSA data.

Receipt of inheritance: who, what, when?

Among the individuals interviewed, some 46% had received an inheritance at some stage in their lives (see Table 3.1). If we also include any inheritance received by a partner or any children, then over half the population (53%) lived in families where an inheritance had been received at least once. This figure indicates just how common inheritance is. It exceeds previous figures because our emphasis was on inheritance of any amount and any kind, received at any point during the lifetime. The specific focus on inheritance, and clarification of its meaning, probably also contributed to higher estimates than from previous studies. Where comparisons are possible with previous data, our survey provides figures that are either comparable, or exceed past estimates (as shown above).

If we also include lifetime gifts (of at least £500, to exclude 'routine' presents), then approaching two thirds of respondents (63%) had direct or family experience of receiving either an inheritance or such a gift.

Those aged under 30 were the least likely to have received an inheritance; 31% had done so, or 35% including any partner or children. However, there was relatively little variation in rates of receipt among those aged 40-79. A number of factors may contribute towards this pattern. The younger respondents may still have living parents and possibly grandparents. As we will see, most people inherit from these direct family relations (if they inherit at all). For the older respondents, they may no longer have living forebears but these may not have had anything to pass on – or perhaps chose to do so during their lifetimes rather than on death.

Respondents not yet 30 were the most likely to have received a gift worth at least £500, without having had an inheritance. In most of the remainder of this section we focus on inheritance, as our main focus, rather than lifetime gifts. However, such gifts are clearly significant – 30% recalled receiving cash or a gift to the value of at least £500. Some 80% of people receiving such gifts said they were worth at least £1,000.

There were stronger links to the social class and tenure of the respondent (see Table 3.2). Over half of owner-occupiers had received an inheritance at some stage of their lives, compared with under a third of social tenants and private tenants. There was a similar gradient for social class. Some 70% of senior professionals (in social class A) had

Table 3.1: Receipt of inheritance by age group (%)

	Age group							
	18-29	30-39	40-49	50-59	60-69	70-79	80+	All
Respondent has *personally* received an inheritance of any value	31	41	49	53	56	51	46	46
Someone in family[a] has received an inheritance, of any value	35	51	58	59	65	57	48	53
Someone in family[a] has received an inheritance, of any value, or a gift worth £500+	55	66	69	66	68	58	50	63
Unweighted base	310	373	341	354	300	229	100	2,008[b]

Base: All.

Notes: [a] the respondent, any partner and/or any children; [b] including one respondent with age unknown.

Table 3.2: Receipt of inheritance by tenure and social class (%)

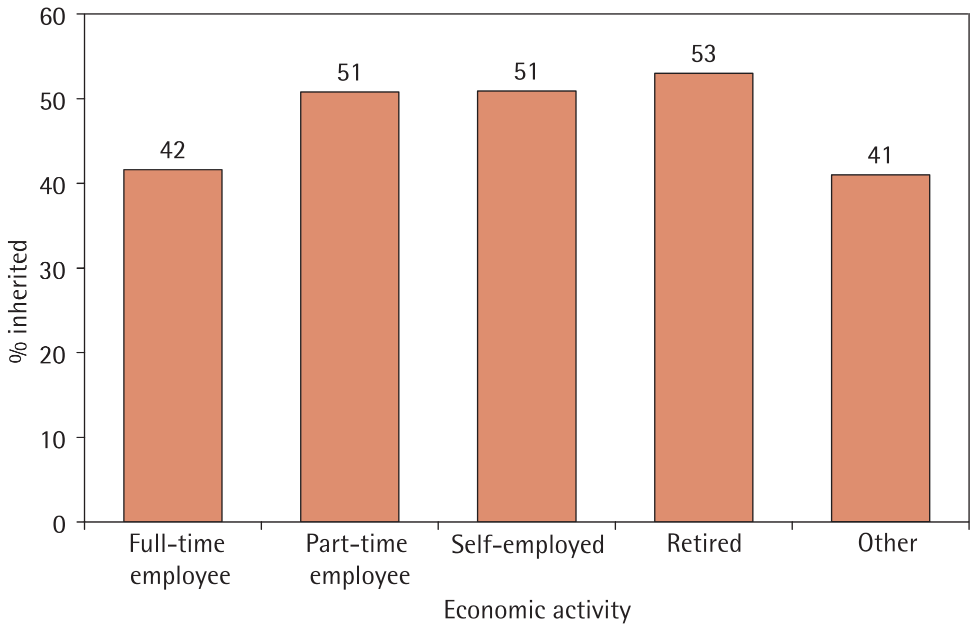
	Received	Received (or partner or child)	Unweighted base
Tenure of respondent			
Own outright	56	63	677
Own with mortgage	51	59	694
Social tenant	30	35	335
Private tenant	34	43	153
Living with family	25	26	115
Social class			
A	58	70	71
B	58	67	456
C1	49	57	537
C2	40	48	409
D	38	42	287
E	28	33	237
All	46	53	2,008

Base: All.

inherited (or their partner or child had done so), compared with 57% among clerical workers (social class C1), and under half even among skilled manual workers (social class D). Around 3 in 10 of those in social class E had inherited something. It is possible that housing tenure is, itself, the result of a previous inheritance. But social class is not so affected by this issue of timing or causation.

Those currently self-employed were more likely to have received an inheritance than full-time employees (Figure 3.1), but as likely as part-time employees. Part-time employees are more likely to be women and older compared with other workers and so their increased receipt of inheritance is likely to be due partly to this. When these groups had inherited, the self-employed had tended to receive inheritances of substantially greater value. Some 15% of self-employed workers had received an inheritance worth at least £50,000 (in today's money), compared with around 4% of employees (whether full- or part-time). Perhaps the receipt of an inheritance enabled them to start their own business?

Figure 3.1: Inheritance by economic activity



Those describing themselves as retired were more likely to have inherited than non-workers who were looking after the home, or unemployed, or economically inactive for other reasons.

Where respondents received the main income-related (or means-tested) benefits, they were less likely to report an inheritance. In Table 3.3 we show inheritance receipt by age group and benefit receipt. Among those aged 18-59, there was a 12 percentage point difference in rates of inheriting by benefit receipt. Among those aged over 60 the difference was closer to 20 percentage points.

The latter half of Table 3.3 shows the proportion who had previously received at least £10,000 through an inheritance (as a proportion of all respondents). This represented 15% of the overall sample, but only 6% among those receiving income-related benefits. Quite a number (14%) of those receiving Pension Credit had previously received an inheritance of such a size. However, this might have been many years previously.

An inheritance may include one or more items, such as property, cash, personal items and household goods. Overall, 46% of respondents had ever received some kind of inheritance, 34% had received money (or savings), 22% some kind of personal item, while 11% had received a property (or share in it) (see Table 3.4). Clearly these separate figures sum to rather more than 46%, indicating that many people had inherited more than one kind of asset through an inheritance. In fact, 14% of the sample had inherited on more than one occasion (30% of those ever inheriting).

As shown above, those in middle age were the most likely to have ever received an inheritance, although the links with age were not particularly strong. In Table 3.5 we show *when* those inheritances were received, taking the most recent. Among the population as a whole, of those with experience of inheritance close to one third (29%) had inherited since 2000, and well over two thirds (71%) since 1990. Naturally enough, those aged under 30 had more recent inheritances. But the timing patterns were remarkably similar for those aged 30-69, albeit this group were more likely to have received an inheritance overall. For the oldest respondents, aged 70 or more, most inheritances took place over a greater number of years, with many being received in the

Table 3.3: Receipt of inheritance by age and benefit receipt (%)

	Receive Income Support/ Jobseeker's Allowance/ Pension Credit	Not receiving these benefits	All
Age group			
18-59	33	45	43
60+	36	55	53
All	34	47	46
Received at least £10,000 in 2004 prices			
18-59	3	13	12
60+	14	23	22
All	6	16	15

Base: All.

Table 3.4: Receipt of different items in an inheritance

	%
House/flat/property	11
Money or savings	34
Personal items (eg car, jewellery, ornaments)	22
A business	*
Any of these	46
Number of times inherited	
None – never inherited	54
1	32
2	10
3+	4
Unweighted base	2,008

Base: All.
Note: * less than 0.5% but more than zero.

Table 3.5: Timing of most inheritance received (%)

	Age group				
	18–29	**30–49**	**50–69**	**70+**	**All**
Per cent having received an inheritance	31	45	55	49	46
Of those receiving a inheritance, the date:					
Before 1969	0	0	3	16	3
1970–79	1	4	9	15	7
1980–89	4	20	19	29	19
1990–99	43	48	42	25	42
2000–04	52	28	27	14	29
Unweighted base – all	310	714	654	329	2,008
Unweighted base – all receiving an inheritance	99	316	345	144	904

Base: All.
Note: Some respondents could not give the year of the inheritance.

1980s (29%) and earlier still (31%). The most typical age to receive an inheritance among those currently in their seventies was therefore in their fifties (29%) with 25% inheriting in their sixties and 31% inheriting at some point before they were 50. This timing might be useful in terms of using inheritances to help maintain living standards in later life.

The data may be used in an alternative way, to plot the receipt of inheritance by age. However, some people may not yet have received an inheritance and should also be included in any analysis. This requires a statistical technique, known as event history analysis (or 'survival analysis') to include both those who have experienced the event of inheritance, and those to whom it may still happen. A simple application of this approach is shown in Figure 3.2. One way of interpreting the figure is to consider how many within each group have inherited by particular ages. So, by age 30 only a small proportion (less than 5%) of those currently aged 60+ had received an inheritance. Among those aged 40-59, by age 30 approaching 20% had inherited. Clearly not all of those aged 18-39 have reached 30, but this is dealt with in the analysis by only looking at those at risk of the event occurring – and by the age of 30, over 30% of this group had inherited.

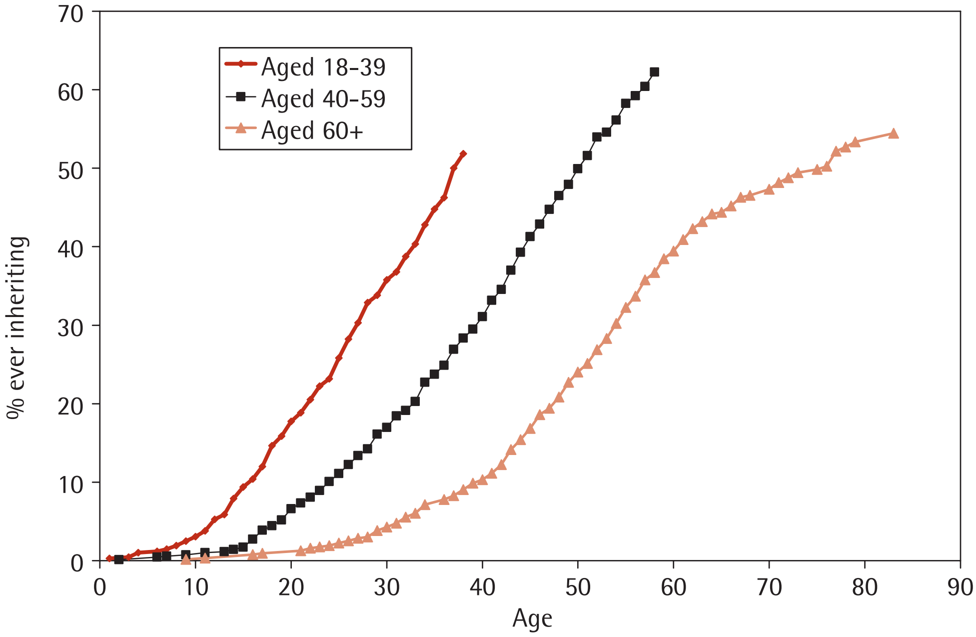
The survival analysis shows that younger cohorts are more likely than older ones to have inherited at any given age. This is consistent with, and indeed strongly suggests, a rising rate of inheritance over time. However, if older people have greater difficulties remembering inheritance they received at a young age, then the large difference between cohorts might be an exaggeration of the true picture.

It is also worth noting that the lines in the chart are relatively 'straight' throughout most of their range. There do not appear to be any specific ages (such as 21 or 40 or retirement) when the rate of inheritance appears particularly high or low. This may indicate that the timing of receiving an inheritance is open to considerable doubt.

Value of inheritances received

As Forrest and Murie (1989) argue, it is important to look at the *value* of inheritances rather than just the fact of having received something. The fact of having received an

Figure 3.2: Successive cohorts appear more likely to have inherited at each age



Note: This graph uses the 'Kaplan-Meier' estimator of survival, and the complement (1-survival) is plotted.

inheritance does not mean that a person's life is transformed, or that they have more options with regard to, say, pension provision or housing tenure. An inheritance could have little real financial value, although various objects may of course have strong emotional value. Respondents were asked for the financial value of any inheritance, *at the time they received it*. Since this could be many years previously, with some instances dating back to the 1930s, it is important to uprate the figures into today's prices (2004 prices are used). Table 3.6 shows both the money and real value of the inheritances people received. A proportion were not able to recall a financial value (and, a few, the year it was received). While many inheritances were of *relatively* small value, one person in 20 (5%) had inherited something worth at least £50,000 (in today's money) during their lifetime. A further 1 in 10 (9%) had inherited a sum of between £10,000 and £50,000, again in today's money. However 2% had had experiences of inheritance with no financial value at all and 6% with a combined value of under £1,000.

The amount received in inheritances varied by different social classes, as shown in Figure 3.3. Those in middle-class occupations were not only more likely to have inherited, but they also had most experience of the larger-valued inheritances. Among social classes A and B (senior and middle-ranking professionals) around 1 in 10 had received an inheritance worth at least £50,000 in today's money. This compares with only 1 or 2% among those in classes D and E.

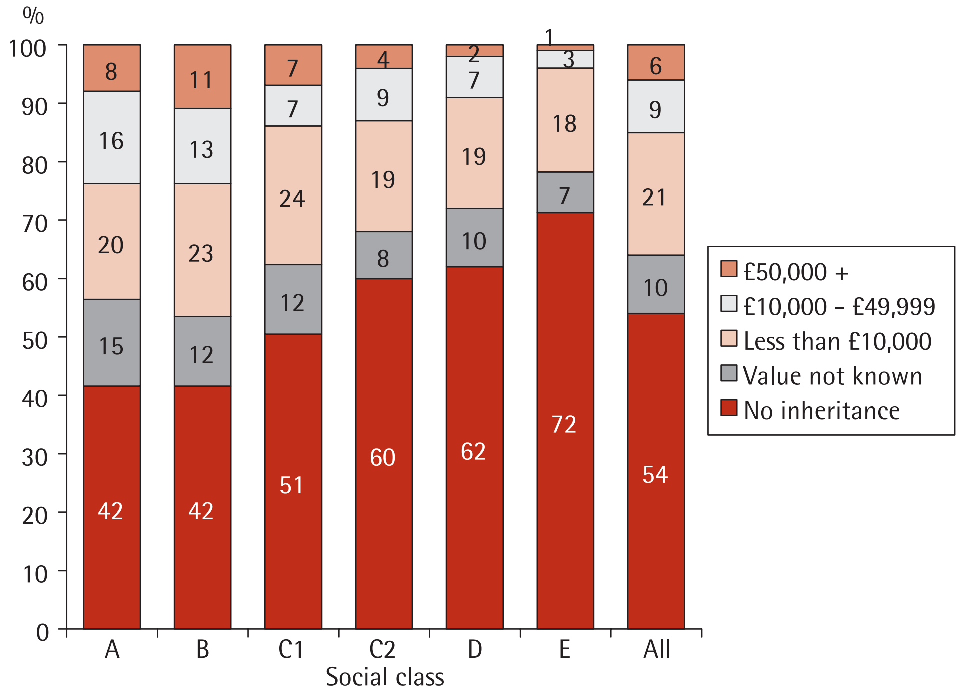
Table 3.6: Different amounts received in an inheritance (%)

	Money values	Real values
No inheritance	54	54
Value not known	9	10
No financial value	2	2
Under £1,000	9	6
£1,000 - £4,999	9	8
£5,000 - £9,999	4	5
£10,000 - £24,999	5	5
£25,000 - £49,999	3	4
£50,000 - £99,999	2	2
£100,000 - £249,999	1	2
£250,000 +	1	1
Unweighted base	2,008	2,008

Base: All.

Note: Some respondents could not give the year of the inheritance, so there are more unknown financial values in the 'real' column.

Figure 3.3: Receipt of different real amounts in an inheritance



A statistical model of receiving an inheritance

Some of the relationships examined here will be mediated by other factors. Younger people are less likely to be home-owners, older people less likely to be in the higher social classes. Some multivariate statistical approaches attempt to control for the effect of a range of different variables, to identify the 'independent' effect of each one, controlling for other information.

The results from one particular approach, known as 'logistic regression', appear in Table 3.7. Three separate 'models' are shown, which look, respectively, at those receiving any inheritance, an inheritance worth at least £1,000 and an inheritance worth at least £5,000. The numbers presented in this table indicate how being in one particular group affects the chances of receiving an inheritance (everything else being equal). In each case, where a variable is classified into different groups, the chances are compared with a standard reference or comparison group. The figures indicate whether, and the extent to which, the chances of receiving an inheritance differ from the standard group, with values greater than one indicating a greater likelihood, and less than one a reduced likelihood.

While the sample of minority ethnic groups is small, the effect on receiving *any* inheritance seemed to be rather strong, but there was no statistically significant effect on receiving inheritances of moderate value (£5,000). Compared with the odds of 1.0 for White people, rates of inheritance were much lower among those of an Asian background, and extremely low among those of Black origin – effects we found when looking at any inheritance, but not for the moderate-value inheritances. It is worth emphasising that these results are after taking into account other differences between ethnic groups, such as in age, tenure, social class and family composition.

Social class also appeared to have a strong effect. Those in social class B appeared to have the greatest chances of inheritance, compared with the other social class groups. Those in social class E were less likely than average to have received an inheritance, and particularly one worth at least £5,000.

The effect of age follows that of the tabular analysis already presented, perhaps emphasising the higher rates of inheritance among those aged 60-69, and very low rates among those under the age of 30. Gender did not appear to have a statistically significant effect on rates of receiving inheritances of different values.

The strong effect of housing tenure in the tables was borne out in the more complex modelling. Those with mortgages (and outright owners) were the most likely to have received inheritances. The disadvantaged position of those in social accommodation was particularly pronounced – even after controlling for age, social class and so on. This may, however, also reflect the fact that housing tenure may be an *outcome* of inheritance.

Table 3.7: Logistic regression models of receiving inheritances (odds ratios)

	Any inheritance	Inheritance £1,000 or more	Inheritance £5,000 or more
Ethnic group (ref=White)			
Asian	0.209**	0.219*	0.292
Black	0.089**	0.003	0.006
Other	0.804	0.785	1.153
Social class (ref=C1)			
A	1.131	1.486	1.369
B	1.391*	1.532**	1.852**
C2	0.726*	0.964	0.915
D	0.710*	0.749	0.799
E	0.547**	0.494**	0.315**
Missing	0.462	0.867	0.758
Female	1.472	1.215	0.930
Age group (ref=40-49)			
18-29	0.719	0.564*	0.328**
30-39	0.781	0.769	0.787
50-59	1.088	1.008	1.448
60-69	1.280	1.382	1.771*
70-79	0.913	1.246	1.425
80+	0.704	0.712	1.236
Family type (ref=couple)			
Couples + child(ren)	0.970	–	0.656
Single person	1.354*	–	1.729**
Housing tenure (ref=mortgage)			
Own outright	1.071	1.025	0.956
Local authority tenant	0.570**	0.549[a]	0.367**
Private tenant	0.728	0.668	0.572
Live with family	0.454**	0.601	0.282*
Other (eg rent-free)	1.065	1.095	1.067
Has dependent children	–	–	1.766
R-squared (Nagelkerke)	0.14	0.12	0.15
Cases included	2007	2007	2007
Positive outcomes	953	532	348

Notes: * = significant at 5% level; ** = significant at 1% level.

The inheritances

All of the previous analysis has taken place from the perspective of the respondents. For more detailed analysis we now look separately at each inheritance. This provides greater scope for analysis of the different kinds of items inherited from different people, and the uses to which they were put.

Inheritances mostly came from parents and quite frequently from grandparents (Table 3.8). Where people had received an inheritance of some kind, they were also asked for its source and approximate value, and when this had happened. Of all inheritances, about 4 in 10 were from parents, 3 in 10 from grandparents, 1 in 10 from uncles/aunts, and the remainder from a number of other groups. Inheritances of property, however, came overwhelmingly from parents (51%) or from partners (20%). Where personal items had been received, this tended to be as part of an inheritance from grandparents (42%) or from parents (33%).

So, the major inheritances tended to have come from parents. The role of uncles/aunts in leaving property was surprisingly large, and may reflect having these relatives who did not have children of their own.

People may keep an inheritance or choose to use it in some way. For instance, a property may be sold immediately, or the recipient might choose to reside in it. Perhaps properties received by those already owner-occupiers will be sold, or possibly let. In the study there were 122 property inheritances, and in approaching two thirds of cases (63%) the property was then sold (Table 3.9). About 1 recipient in 5 (21%) chose to live in the property, and relatively few decided to let the dwelling.

Of those properties inherited prior to 1995, 75% had been sold, compared with 50% of properties inherited from 1995. So it may be the case that people live in the property for a few years before selling it on. Only a small minority were now living in what might have been regarded as the family home.

Where money or savings had been inherited, the range of uses was perhaps greater than with a single physical asset such as a property. People were able to give a range of answers, including several different uses of the one inheritance. In Table 3.10 we show the uses to which the inheritance was put. Answers were quite evenly divided into those

Table 3.8: Who left the inheritances? (%)

	All inheritances received	Property inherited	Money or savings	Personal items
Partner/spouse	6	20	7	5
Parent (or in-law)	39	51	37	33
Grandparent	31	7	28	42
Uncle/aunt	12	12	16	9
Brother/sister	1	1	1	*
Other relative	6	6	6	7
Friend (non-relative)	4	3	5	4
Don't know	1	0	1	0
Unweighted base	1,337	122	449	334

Base: All inheritances received.

Note: * means fewer than 0.5% but more than zero.

Table 3.9: What happened to inherited property? (%)

	Year when property inherited		
	Up to 1994	1995–	All
Sold it	75	50	63
Live in it	17	25	21
Family member lives in it	2	6	4
Let it	2	4	2
Other	2	17[a]	9
Unweighted base	63	52	122[b]

Base: All inheritances received

Notes: [a] among this group, people mentioned a variety of things including instances where they had only recently inherited and were still deciding, and where they were waiting for step-parents to move out;

[b] including some with date unknown.

Table 3.10: What happened to inherited money, savings and personal items? (%)

	Year when item inherited		
	Up to 1994	1995–	All
Saved/invested	40	44	41
Kept it (objects)	24	30	27
Spent it	39	36	37
Paid off debts	5	8	6
Gave it away	5	8	6
Sold it	1	1	1
Other	5	5	5
Cannot recall	2	2	3
Unweighted base	684	500	1,273[a]

Base: All inheritances received.

Note: [a] including some with date unknown.

who had saved available money, and those who had spent it – 41% mentioned saving the money (or investing it), while 37% mentioned spending it, or at least a share of it. People often kept smaller, more personal objects.

Lifetime gifts received

In Chapter 2 (page 13) we reported on the fact that 77% of respondents agreed that: 'It is better to give children money when they need it than to save it to leave as an inheritance'. Perhaps contrary to this, however, there was also a view, supported by 86% of the public that: 'People should be financially independent of their parents'. Previous research (McGlone et al, 1996) has analysed the giving/lending of at least £100 and found that about a third of the population had given or lent at least this amount in the past five years to a relative or friend.

The issue of lifetime gifts is closely connected to issues around inheritance and our survey collected data on the giving and receiving of lifetime gifts valued at £500 or more. If these are given prior to the death of the person making the gift, they may be one means of avoiding the bureaucracy and potential tax issues around inheritance. They are also one means by which the donor of the gift may assist their family at a time of their choosing, and perhaps at a time of need of the recipient. The ability to provide sizeable gifts also presupposes that the donor has sufficient confidence in the comfort of their own living standard, and perhaps that future money might be received in the form of an inheritance too.

Close to one third (31%) of respondents had received gifts worth at least £500. The types of gifts received are shown in Table 3.11 – half of those receiving gifts of this kind reported gifts of more than one type. There is a wide and diverse range of gifts. Relatively few resemble strong attempts to reduce an inheritance tax liability through lavish spending; but many are clearly of substantial value and would have strongly contributed to the resources of the recipient. Some were more clearly aimed at a relatively young recipient (such as driving lessons), while others could be of value to a wide range of ages and circumstances (for example, paying off debts or helping at the birth of children when resources are often stretched).

While 46% of all respondents had received an inheritance themselves, some 59% of those who had received a lifetime gift had done so. Put another way, 39% of those who had ever inherited had received a valuable gift, compared to 23% of those who had not inherited. People are not receiving lifetime gifts as some kind of alternative to inheritance, since receipt of one is positively correlated with receipt of the other. Instead, people may be spreading the benefits of the wealth and spending power that is available within their families over time.

Table 3.11: Receipt of gifts worth £500 or more

	%
Cash to spend	9
Wedding or large social occasion	9
Buying a car	7
Buying (or maintaining) a property	6
Education	5
Paying for driving lessons	4
Birth of children	4
Paying off debts	3
Paying for a holiday (or other luxury)	3
General living expenses	3
Starting a business	1
Other type of gift	2
Cannot remember	1
No, none of these	69
All – any gift worth £500 or more	31
Unweighted base	2,008

Base: All.

Conclusions

As more people own their own homes, what might happen to housing wealth as people age and then die? If some assets are bequeathed, how will this affect the distribution of wealth? Much of the debate so far has rested on simulation modelling based on varying, sometimes dubious, assumptions. Our research suggests that inheritance is fairly widespread, with almost half of the population having received something at some point in their lives. Furthermore, while it is difficult to make firm comparisons with previous research, there are indications that the percentage of people who have inherited something is increasing. But receipt of inheritance, particularly one of any value, is heavily skewed by socioeconomic and ethnic characteristics. White owner-occupiers in professional classes are much more likely to receive something than other groups. This suggests a further concentration of wealth.

However, a relatively small amount of inheritance may actually be considered a significant sum if someone has little or no wealth at all. Our survey found that about a third of those receiving a means-tested benefit (Income Support, Jobseeker's Allowance or Pension Credit) had received an inheritance. Six per cent of this group had received at least £10,000 (in 2004 prices) at some point in their lives. While this is a very small minority, such a windfall could make a major difference to these people.

The survey evidence contributes to the debate about the transmission of inequality, but further thinking and analysis on this subject is needed before firm conclusions can be drawn on this important issue.

A related policy question is the extent to which receipt of inheritance might fill the pensions gap. The survey evidence suggests that those with most need of a windfall are least likely to receive it. Of course, things may change over time but there is little evidence, at present, to suggest that poor pension coverage can be compensated for through the receipt of inheritances.

4

Attitudes to, and ability to leave, bequests

Introduction

In the previous chapters we looked at expectations of receiving inheritances and actual receipts of inheritance. Now we turn the focus to the 'other side' of inheritance: attitudes to *leaving* bequests.

There are two possible extreme views here. At one extreme, people might strongly support the principles of intergenerational solidarity and inheritance, deliberately saving or accumulating housing assets in order to leave as much as possible to future generations. People who do this might be living a frugal lifestyle in order to benefit future generations: 'living poor to die rich'. The social policy concern here is that these people might be impoverishing themselves and potentially damaging their health by not taking advantage of the assets they have. At the other extreme, people might try to use up all their assets during their lifetime and leave nothing when they die. The idea that older people are deliberately setting out to 'Spend their Kids' Inheritance' (SKI) has become a very popular notion in the media. An 'enthusiastic SKIer' would both spend their savings and also use up any housing equity, leaving nothing to their children. A possible social policy concern here is that the children of these SKIers might ill afford to lose their inheritance, given the high levels of borrowing and low levels of pension provision among the current middle-aged population.

The popular image of SKIers is of relatively fit and healthy people making the most of their (sometimes early) retirement, but the reality might be that people with poor health, perhaps later on in retirement, need to use up their assets in order to fund a fairly basic standard of living. Some might even be forced to use up their assets to pay for care. There might also be some people in retirement who indulge in the odd 'luxury' for themselves but who are keen to preserve some assets for future generations. Thus it might be misleading to think that all those who use up some of their assets in later life are 'SKIers', spending their kids' inheritance. Some of them might be thought of rather as OWLS – Older people Withdrawing Loot Sensibly. The image of SKIers is of people squandering their resources on hedonistic pursuits, whereas the image of OWLS is of people taking a more balanced and sensible approach to their finances and to their own needs, as well as the needs of their children. The media may prefer the racier image of SKIers but in reality there may be more OWLS around.

Another problem with the 'SKIer' label is that it assumes that older people's assets do not really belong to them but to their children. As stated above, this view is certainly not reflected in English law and may not be reflected in people's own views either.

Of course, *attitudes* to assets and inheritance are not the only important variables here: the *amount* of assets people have is also highly relevant. For example, some people are affluent enough to both enjoy their retirement to the full while at the same time maintaining significant assets for future generations. And at the other end of the income/

wealth distribution, some people never have any assets either to spend, give away or bequeath. But there are some people, perhaps an increasing number of pensioners, who look poor in income terms but nevertheless have some wealth in the form of housing assets (Rowlingson et al, 1999). This group may have a particular need to access their assets during their lifetime rather than pass them on.

There has been surprisingly little previous research on attitudes to bequests but there has been some study of wills (from which attitudes can be inferred). According to Finch and Mason (2000), there are some very clear patterns in relation to inheritance: 92% of testators name at least one relative; 17% name a non-relative (friend or neighbour); and 9% name an organisation (for example, a church or charity). In total, 25% of all wills are total estate wills bequeathing everything to a spouse, 36% are composite wills in which a spouse is not mentioned. So where a testator is married it seems likely that they will give everything to their spouse. Indeed, people do not generally think that property passing from one spouse to another is inheritance. Inheritance is generally thought of as a transmission to the next generation. There is an assumption that (married) couples own property in common, and in many cases, through joint ownership contracts, they do. This has replaced the previous assumption that married women could not hold property in their own right. Children today do not generally think they have a claim if there is a surviving spouse. According to Finch and Mason (2000), factors that affect who inherits include:

- genealogical closeness to the testator;
- generational position;
- whether seen as 'next of kin'.

It is much more common for wills to contain gifts for children (36%) than for them to contain gifts for grandchildren (12%). About 1 will in 5 (18%) contains gifts to someone in the same generation (apart from spouse), for example siblings. A similar proportion (17%) contain gifts to nieces/nephews – this is genealogically more distant but in a descendant generation. On average, wills mention 3.5 beneficiaries.

Munro (1988) analysed a sample of estates in Glasgow and found that housing inheritance was substantial for some people but it was often received by people who were middle-aged and therefore already established. The majority of estates were left to the next generation.

Finch and Mason (2000) found that most testators leave equal amounts to members of the same kin type (except for distant kin). But geography can also make a difference – with closer kin members getting a bit more in some cases. Also, if someone has much greater need (for example, an adult child still living at home) they may receive more. But even where children have done more for parents or have greater need, parents do not always seem to give them more.

As was the case with expectations of receiving inheritance, support for the idea of leaving bequests depends on how people are asked about it. So once again our questionnaire covered this issue from a number of angles and this chapter begins by analysing people's general attitudes to the concept of inheritance. It looks at whether people like the idea of being able to leave bequests in theory and then whether they think people should be careful with their money in order to be able to do so in practice. The attitudes of the general public are very interesting, but it is even more interesting to focus on those with some potential to leave bequests and analyse their attitudes. This is what the chapter does next. It identifies 'potential bequeathers' and then explores their general views about leaving bequests in theory and also the extent to which this group would be careful with their money in order to leave bequests in practice. Having considered a range of different types of attitudes to leaving bequests, the analysis proceeds by investigating whether there are any underlying factors that can explain people's different views on this subject. Attitudes to inheritance are likely to vary by a range of variables, such as age, socioeconomic characteristics, family type and so on. The penultimate section in this chapter identifies which groups are most in favour of leaving bequests. And the final section reports on people's views about to whom they might leave any bequests.

General support for the concept of inheritance

Respondents were presented with a series of statements about inheritance and asked the extent to which they agreed or disagreed with these statements. The analysis in this section looks at the responses of all members of the general public to a number of these statements. For example, when people were asked whether or not they agreed with the statement 'I would like to be able to leave property or money as an inheritance', they, almost unanimously, agreed with it (see Figure 4.1). This suggests strong support for the concept, with 85% of the general public saying that they would like to be able to leave a bequest. But this is a very general statement, perhaps tapping into an aspiration to be affluent enough to leave an inheritance. It is therefore not particularly surprising that virtually everyone would like to be in a position to be able to leave a bequest.

The other questions, however, were designed to tease out how strongly people supported the idea of leaving bequests in practice, when faced with a choice between maintaining assets for future generations or using up assets either for enjoyment or in cases of need.

We therefore put the following statements to the sample:

Older people should enjoy their retirement and not worry about leaving an inheritance.

These days most people prefer their parents to spend their money rather than try to leave an inheritance.

Older people should be careful with their money so that they can leave an inheritance.

Figure 4.1: Most people agreed that they would like to be able to leave a bequest

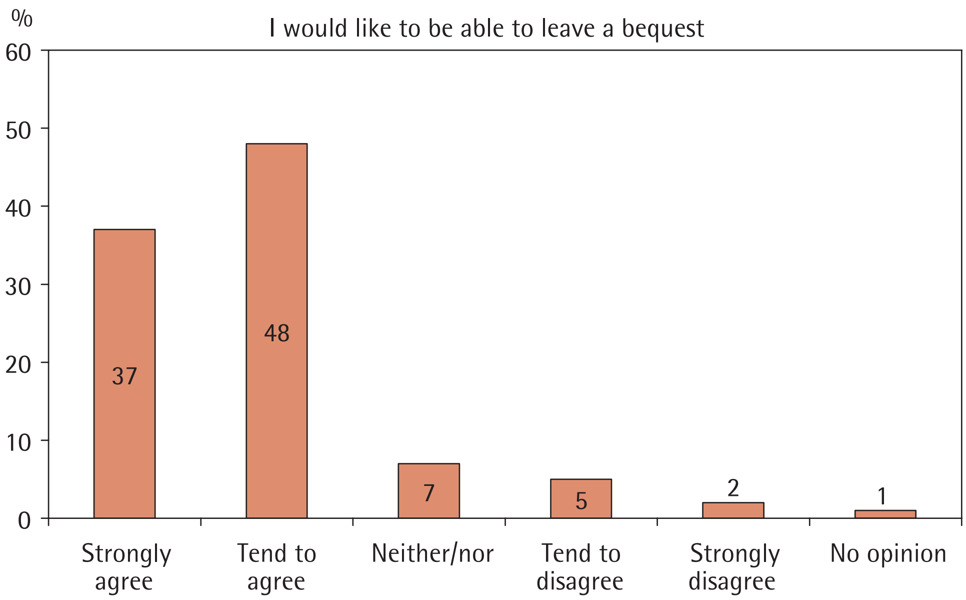


Figure 4.2: Most people agreed that older people should enjoy their retirement and preferred their parents to spend their money on themselves

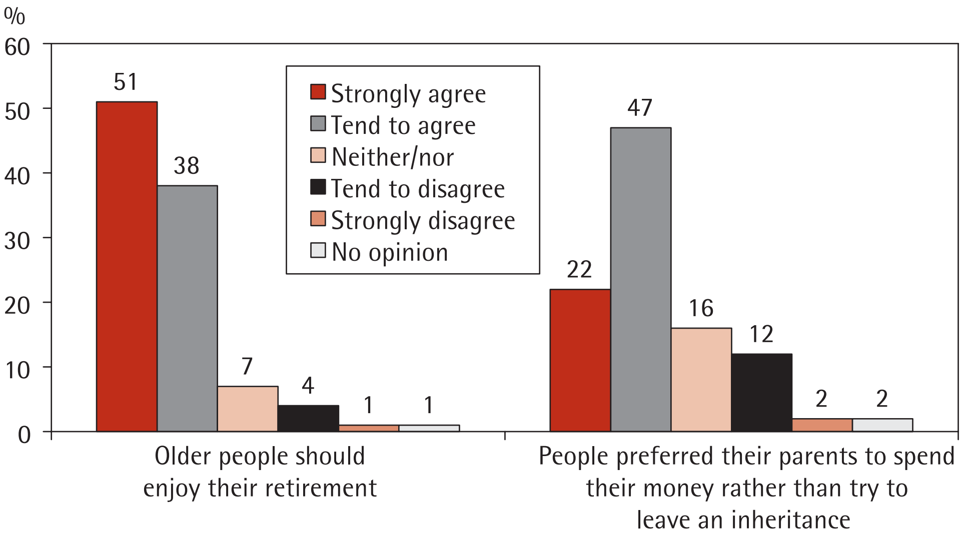
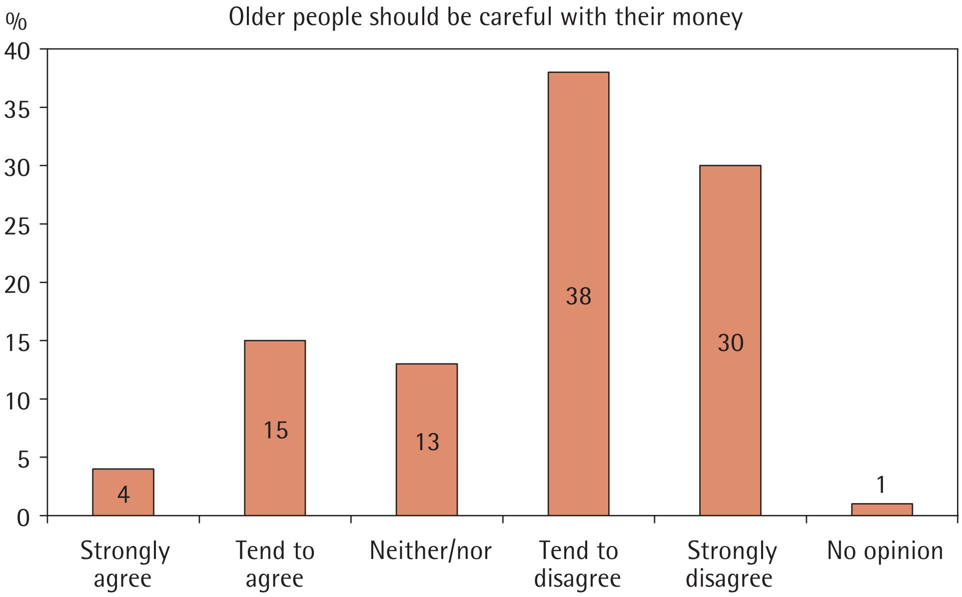


Figure 4.2 shows that 51% of the general public strongly agreed that older people should enjoy their retirement and not worry about leaving an inheritance. A further 38% tended to agree with this statement. This suggests that when faced with a practical choice, most people (89%) opt for enjoying retirement rather than scrimping and scraping to maintain assets for bequests.

There were slightly more mixed views about whether or not people preferred their parents to spend their money rather than leave it as a bequest. The majority of the public (69%) thought that people preferred their parents to spend their money but 14% disagreed.

Figure 4.3 shows that most people (68%) disagreed that older people should be careful with their money so they can leave an inheritance. So when faced with a concrete choice between either enjoying oneself or being careful with money to leave a bequest, most people opted for enjoyment rather than being careful. But a minority (about 1 in 5) did

Figure 4.3: Most people disagreed that older people should be careful with their money in order to leave bequests



suggest that older people should be careful with their money, suggesting strong support for the concept of inheritance among a minority.

These issues were explored in the focus groups with owner-occupiers. The qualitative findings revealed the ambivalence and complexity of people's feelings on some of these issues. For example, some children had told their parents to spend their money but they were not as happy about this in private, as the following exchange illustrates:

> "Before my in-laws died we always said, 'spend it on yourselves, we don't want it….'"
>
> "… I keep saying that to mine but I don't mean it!"
>
> "… I suppose you don't deep down, do you really….."

And another person had a similar view:

> "I think they should have a good retirement but still be something left at the end of it."

Another person seemed genuinely to want her parents to spend their money, but part of the motivation for this was so that she would feel able to spend her own money when she was older:

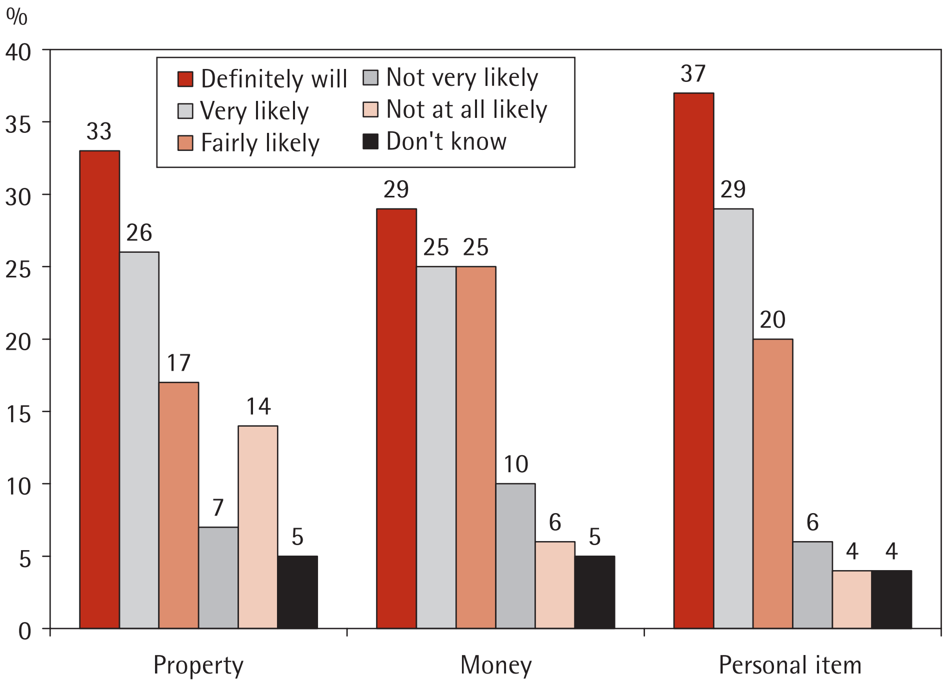
> "The children of today do [expect to receive an inheritance]. I personally try to encourage my parents to spend their money, like they can borrow on their house but they won't do it. Personally, I think people should just spend it while you are alive. I don't think I should save money all my life just to give it to my children."

We also asked all respondents in the survey how likely they thought it would be that they would leave different items as bequests in the future (namely, property or a share in a property, money/savings and personal items). This question taps into both potential ability to leave bequests and attitudes to assets. For example, someone might have considerable assets that they could potentially leave as bequests, but they might be determined to use them up and so have little expectation of actually leaving anything. Similarly, people might think that they will have to use up their assets to pay for care and so have nothing left when they die. But it is also likely to be the case that people who say they are unlikely to leave anything believe this because they have no assets and do not expect to ever have any. Figure 4.4 shows that most people think that they have a fair chance of leaving property, money and/or personal items in the future. For example, three quarters of the general public said that they would definitely or very or fairly likely leave property at some point in the future. A slightly higher proportion said the same thing about money. So expectations of leaving a bequest appear high. But significant minorities said that it is not very or not at all likely that they would leave any of these. For example, 1 person in 5 thought that it was not very or not all likely that they would leave a bequest containing property and 16% said the same about money.

Not surprisingly, owner-occupiers were particularly likely to say that they would leave a property bequest. Three quarters said they would be definitely or very likely to do so. But this leaves a quarter who were not so sure, including 7% who thought they were unlikely to leave a bequest of property.

Expectations of *leaving* bequests were therefore very much higher than expectations of *receiving* an inheritance, reflecting the changing generational profile of home-ownership. It appears that there will be a number of people who have never benefited from an inheritance themselves but will nevertheless pass something on when they die. Figure 4.5 illustrates this point with reference to bequests of property.

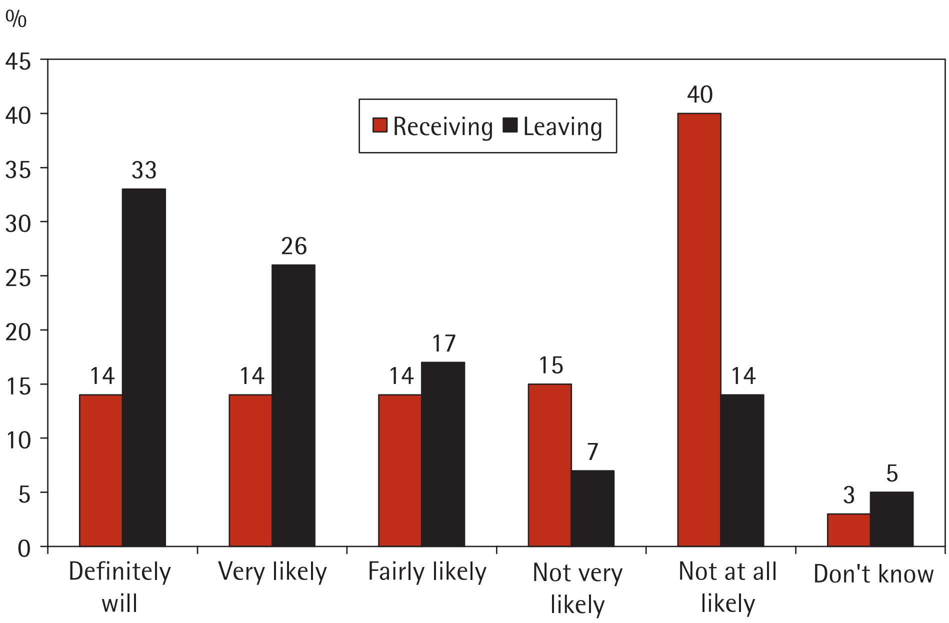
Figure 4.4: Likelihood of leaving different types of bequest



Who are the potential bequeathers?

All of the questions so far were asked of all members of the public and so were very general rather than personal. In order to ask people about whether or not they would personally be careful with their money to leave an inheritance we first of all had to find out whether people currently had anything that they might potentially leave in the future. A third (34%) of respondents owned their homes outright and a further 35% owned with a mortgage. The median value of properties (as estimated by respondents) was between £150,000-£200,000. This roughly corresponds with average house prices. One in 10 owner-occupiers owned other properties (for example, second homes or buy-to-let properties). Respondents were also asked if they had any money in bank or building society accounts or savings or investments and 80% said they did. But levels of savings

Figure 4.5: Expectations of leaving property were higher than expectations of receiving



varied and substantial minorities said that they did not know or did not want to say how much money they had in savings or investments.

This gives us some idea of the current potential to bequeath but asset-ownership is heavily affected by the life cycle and many younger people might have reasonable expectations of accumulating assets in the future. In order to identify this group we asked respondents to place themselves in one of three categories:

I have property or savings that I could leave as an inheritance if I wanted to.

I don't have anything to leave now but might in the future.

I don't have anything now and don't expect to in the future.

As Figure 4.6 shows, two thirds of the public said that they had something that they could potentially leave now and a further quarter said that they would probably have something to leave in the future. We label the people in these two categories 'potential bequeathers'.

Nine respondents in 10 were therefore potential bequeathers. Ability to leave inheritance varied according to a variety of factors. Not surprisingly, younger groups were least likely to say that they currently had something that they could leave as a bequest (see Figure 4.7). But many were optimistic about the future and expected that they would have something to leave eventually. There was therefore relatively little difference, by age, in terms of those who thought that they would *never* have anything to leave.

When we look at housing tenure, social tenants stood out as the group most likely to say that they had nothing now and did not expect to have anything in the future (34%), but 17% of this group thought that they did have something they could leave now and 47% thought they might in the future, so even a majority of social tenants could be considered 'potential bequeathers'. Owner-occupiers were much more likely than others to say that they had something to leave now. Those in private rented accommodation or living with

Figure 4.6: Current and potential ability to leave inheritance

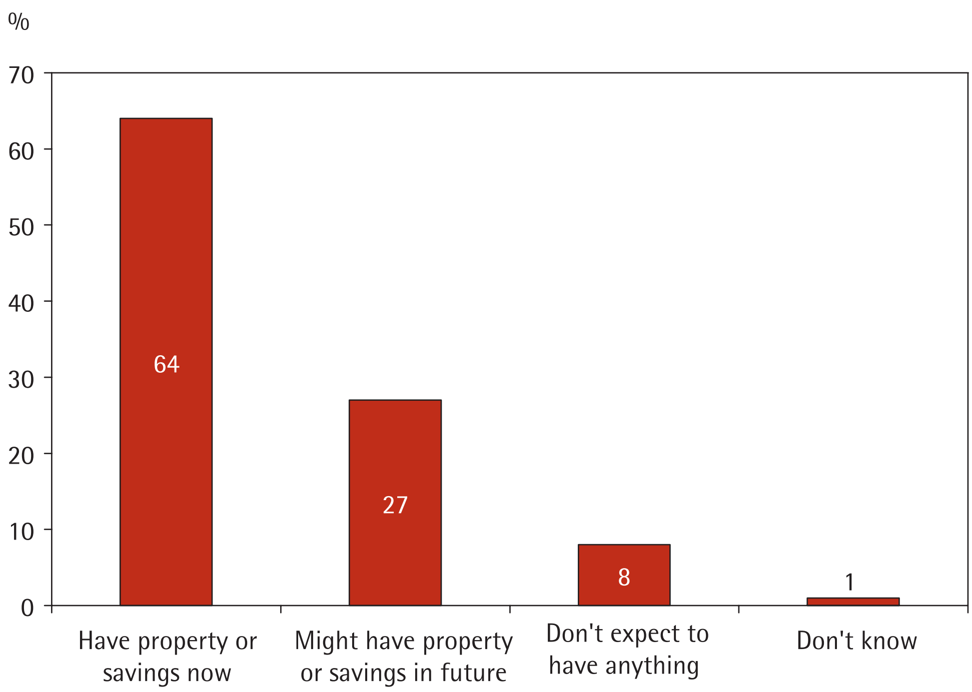
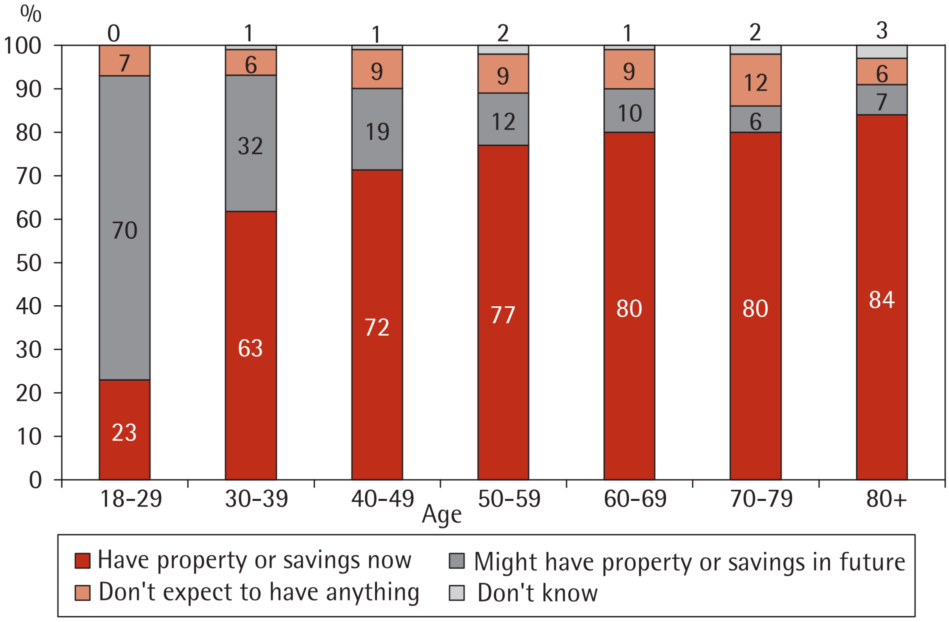


Figure 4.7: Current and potential ability to leave inheritance by age



their family mostly expected to have something in the future if they did not have anything now.

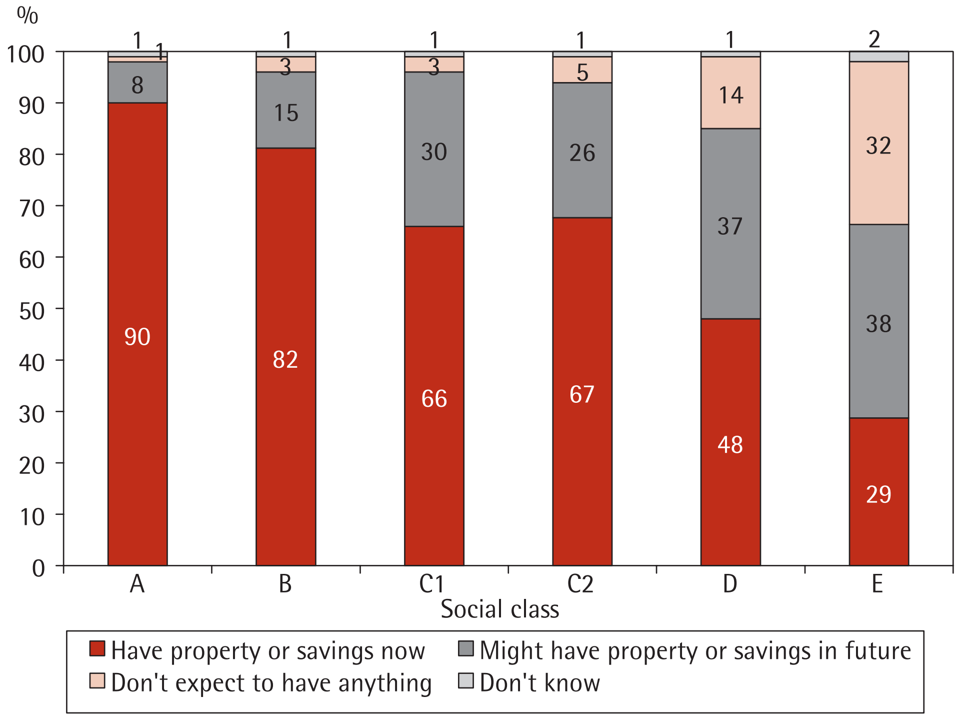
The potential to bequeath therefore seems to be linked more to socioeconomic factors than to age. A quarter of those with incomes of less than £100 a week said that they did not expect ever to have anything to leave in the future. The same was true for a quarter of those currently on Incapacity Benefit and 29% of those on Income Support/Jobseeker's Allowance. But this still means that a majority of people in these groups either had, or thought they might have, something to bequeath in the future. So inheritance can no longer be considered the preserve of an elite. It has become an issue for the majority – even among those on the lowest incomes. This point can be summarised by investigating the relationship between ability to bequeath and social class. Social class is a useful variable because it encapsulates more durable elements of socioeconomic variation than snap-shot variables related to income or benefit receipt. Figure 4.8 shows that almost a third of those in social class E had nothing to leave now and did not expect to have anything in the future. The same was true for 14% of those in social class D. But this again still leaves a majority in these social classes who are 'potential bequeathers'. Very few of those in social classes A, B and C1 thought that they would have nothing to leave in the future. And at least 8 in 10 of those in social classes A and B already had something that they could leave.

There was some variation in potential to bequeath by ethnicity, with 2 in 5 of Asian and Black respondents saying that they had property or savings now and a further two fifths of Asian respondents and a half of Black respondents saying that they might have something in the future.

Support for inheritance among potential bequeathers

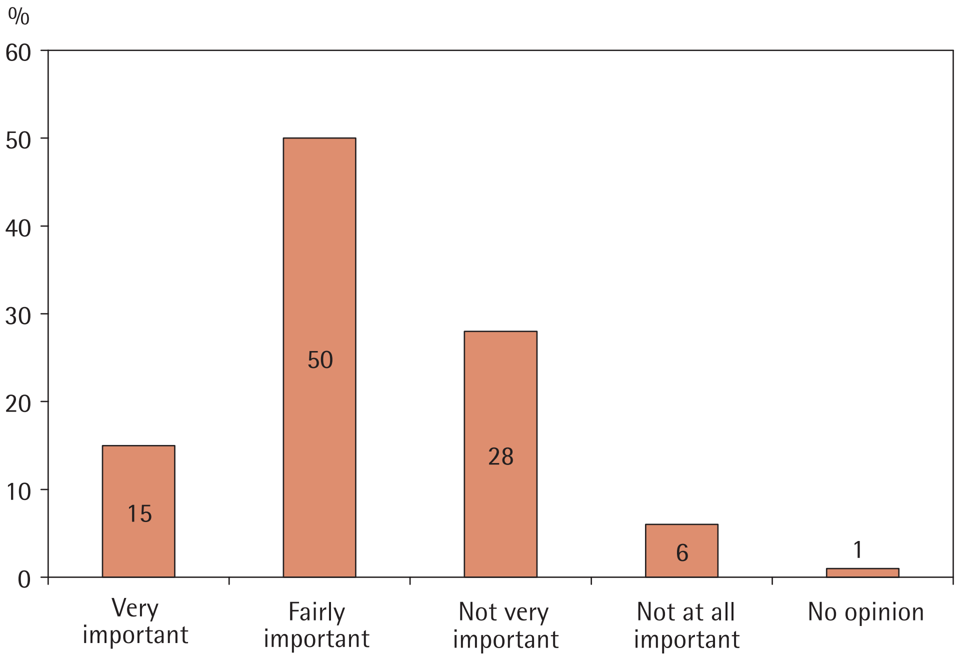
The previous section identified a group of people who were 'potential bequeathers' (about 9 in 10 of the population). This section considers this group's attitudes to bequeathing their assets. For this group, attitudes to leaving bequests are more than just abstract ideas as these people have, or might have, assets to leave. So what are their views?

Figure 4.8: Current and potential ability to leave inheritance by social class



Potential bequeathers were directly asked how important it was to them to leave an inheritance. The results, shown in Figure 4.9, can be interpreted in one of two ways. For example, it could be argued that support for the concept of inheritance was quite strong as the majority (65%) of potential bequeathers said that inheritance was important to them compared with 34% who said that it was not important. However, it is perhaps more striking that relatively few people were particularly bothered either way about inheritance. Only 15% said that it was very important to them and only 6% said that it was not at all important, with the rest (78%) being quite lukewarm about the idea (either saying it was fairly important or not very important to them). But, once again, this question was rather general and abstract. Our next question looked at people with a practical choice between enjoying life and being careful with money.

Figure 4.9: Importance of leaving an inheritance among potential bequeathers



Potential bequeathers were asked to choose between one of two statements:

I will enjoy my life and not worry too much about leaving an inheritance.

I will be careful with my money so I can leave an inheritance.

Two thirds of potential bequeathers said that they would enjoy their life and not worry too much about leaving an inheritance. But more than a quarter said that they would be careful with their money (see Figure 4.10). It seems, therefore, that people's preference for passing on rather than spending their own assets is not particularly strong, with two thirds of potential bequeathers either being SKIers (Spending their Kids' Inheritance) or OWLS.

Support for inheritance might therefore seem strong in principle but fairly limited in practice as people seem to be unwilling to reduce their living standards in order to preserve their assets for inheritance. The survey findings are reflected in the qualitative results. When asked what they would do if they had £20,000 in savings on retirement, one man said:

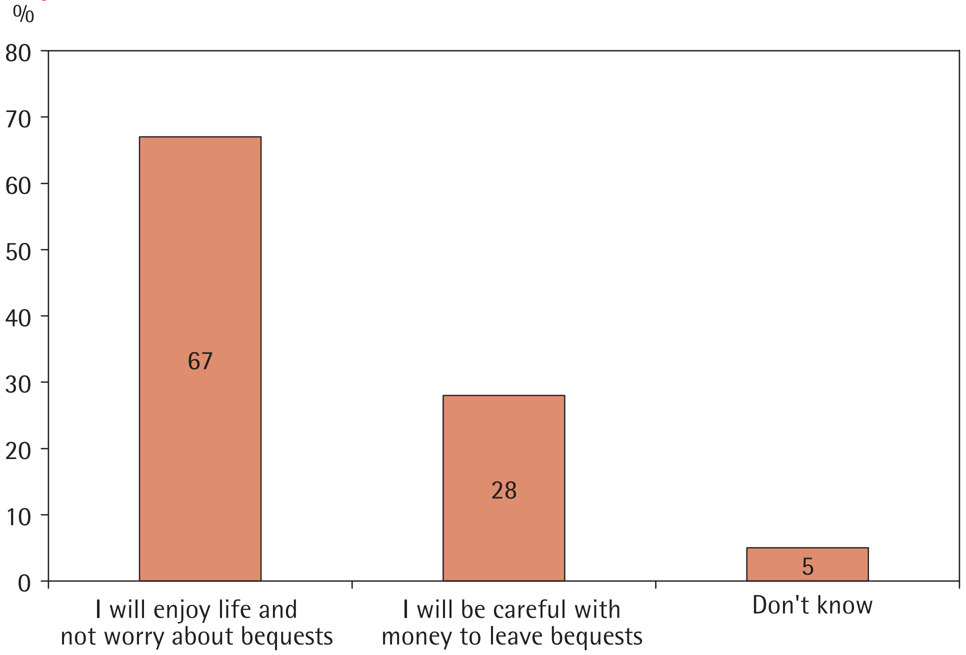
> "I think most people, today, across the board, would enjoy themselves while they can. Their homes are worth quite a lot usually so … £20,000 to me isn't a lot of money in your old age."

Another person said:

> "Everybody tells you these days, go out and enjoy yourself, don't worry about the inheritance. Don't make your life a misery just because you think somebody might need it in 20 years' time."

The younger people interviewed certainly thought that 'SKIers' were not simply a media myth:

Figure 4.10: Potential bequeathers generally wanted to enjoy life and not worry about bequests



> "My parents have just reached cruise age … before they just used to go on holidays abroad but now they do cruises."

And someone else thought that his parents would do the same:

> "My dad's about to take early retirement next year. I'm pretty sure he's looking at holiday homes already."

Another young person in the group did not have too much difficulty imagining himself in that position:

> "Once I've retired I won't give anything to anybody … I could quite happily spend £20,000 in one year of my retirement."

But many of the older people (65 plus) seemed to conform more to the characteristics of OWLS as they thought it would be a case of needing to use up their assets on essentials rather than going on holidays. In particular, there was concern that the level of the state pension was not high and payments for long-term care might also use up savings later on:

> "In this day and age you've got to think about yourself because you've got to pay for your old age now, basically, and going in a home you've got to pay so, really, you're priority is number one."

One man even thought that the low level of pensions would force him to sell part of his house to an equity release company in order to make ends meet later on in retirement:

> "The money that I've got, I'm gonna try and even out but the system of pensions … is so low, no way could I keep my house on what they're paying me … the house is my back-up should I not manage. I would sell it, even if I sell it at 50% of its value, so long as me and my wife can stay in it for the rest of our lives. We'd be better off because, as I say, who do you give the house to? You've got children, you've got grandchildren, you'll probably have great grandchildren, who do you give the house to? There's only one house."

There was also a belief that people with £20,000 in the bank would not receive any help from social security and this was seen as another incentive to spend or give away savings. But some older people mentioned the importance of saving the money for a rainy day later on in retirement. One man mentioned his father who was saving his money:

> "My dad can't [spend] at all. He's been tight as a ... gearbox all his life and he's got plenty of money now and he had a cancer scare some years ago so he's picked up a little bit on the spending, but he's still pretty damn tight."

This respondent said that his father was not deliberately saving his money to leave it as an inheritance but just found it very difficult to spend his money.

A number of people thought that the idea of 'living poor to die rich' was itself dying out. A woman in her late sixties recalled her mother's views about inheritance:

> "I used to have terrible rows with my mother because she wouldn't buy simple things for herself because she would say she was saving it for 'you children for inheritance' … I'd say 'go and buy something nice' but that generation wouldn't. I think they were brought up saving money so much and being very careful with every penny they had

> that they just didn't want to spend it ... I've had to train myself to say, 'I'm going to go skiing and spending my kids' inheritance now' because frankly they are earning so much more now than we ever did at that time in life, it's a different world."

Another woman had a similar opinion:

> "We've developed in the sixties and my mother, she never spent anything and I haven't been like that, what I've wanted, I've had and I think my daughter is the same."

Most people suggested the importance of both spending and saving in later life. They did not conform to the image of reckless SKIers but appeared to take a fairly balanced approach to financial matters in later life. They also mentioned that people's financial behaviour would depend on their level of income. They felt that those on a high income might spend it fairly freely while those on a low income might save or invest it for everyday necessities later on in retirement. One man summed up the general view:

> "Certainly wouldn't splash it all in one go, or ignore it and stick it completely in the bank … there's a balance, you do want to have a good holiday when you retire."

And another man said:

> "I've heard both sides of the story, actually, because I've got some friends and they've got lots of money, nice home, and she says she's not leaving none of her children anything. She says she's worked, she's helped them through their lives, when they've got married and all that, but to leave them anything, no, she's gonna go on tours, cruises and all that … but then I hears another friend of ours, that's what they live for, to leave their house to their children."

Which groups most strongly support the concept of inheritance?

All of this suggests fairly strong support for the concept of inheritance in principle but fairly weak support in practice. Most people appear willing to use up their assets in later life if they need to do so to maintain a reasonable living standard. People from minority ethnic groups, however, do stand out against the tide, with about 1 in 5 of the public agreeing that older people should be careful with their money and 5% even suggesting that older people should worry about leaving an inheritance, even if this means that they will not enjoy their retirement. And 27% of potential bequeathers say they would be careful with their money in order to make bequests. So, which groups most strongly support the concept of inheritance?

In this section we take a number of key attitudinal questions for further analysis by a range of variables. First, we focus on the following statement: 'Older people should be careful with their money so that they can leave an inheritance'. This was asked of all members of the general public and we find that men were more likely to agree with this than women (21% versus 16%), suggesting stronger support for the concept of inheritance among men than women. There was also much more support among Black and minority ethnic groups than the White population (only 16% of White people agreed that older people should be careful with their money compared with 52% of Asian people and 35% of Black people).

There were also some age differences, with those aged 70 plus much more likely to agree with the statement – indeed about a third of those aged 80 plus said that older people should be careful with their money so that they can leave an inheritance (see

Figure 4.11: Those aged 70 plus were more likely to say that 'older people should be careful with their money so they can leave an inheritance'

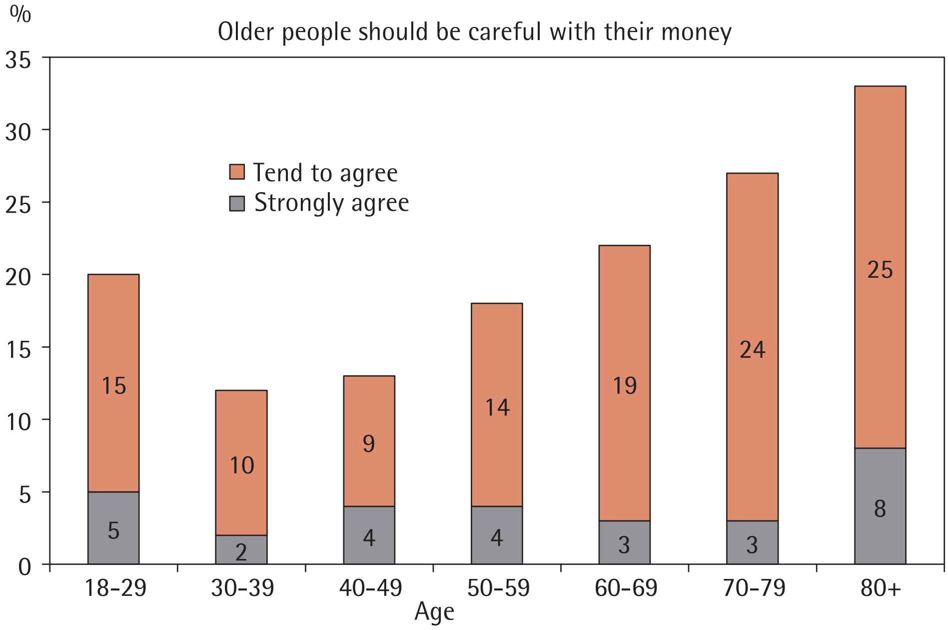
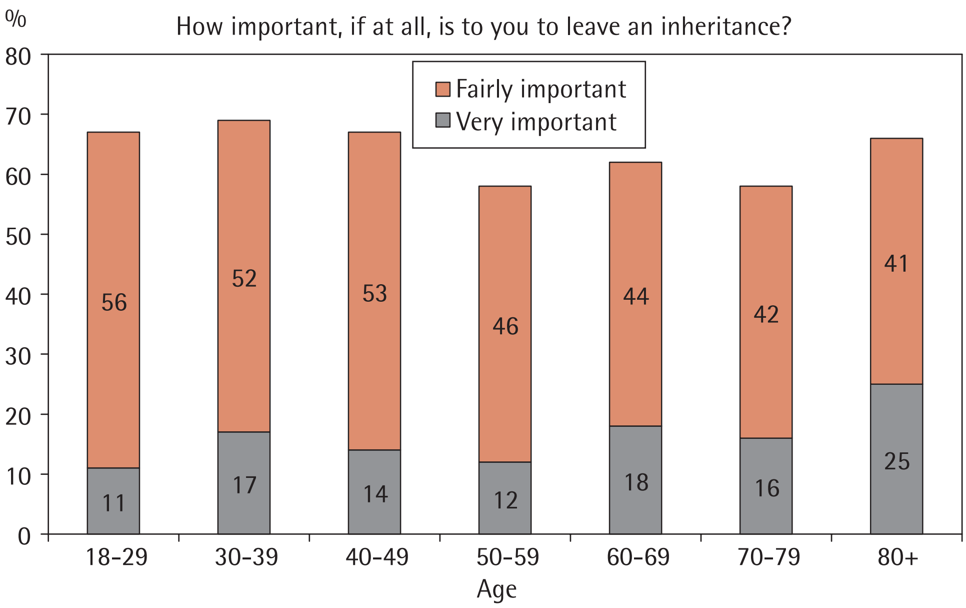


Figure 4.11). But the relationship with age was not a direct linear one as 18- to 29-year-olds had similar views to those in their sixties on this subject. Those in their thirties and forties were least likely to agree with this statement, perhaps because they wanted their own parents to make use of their resources rather than go without in later life.

If we concentrate now on those who think that they might have something to leave as an inheritance (that is, the potential bequeathers) and ask them how important it is to leave a bequest, we also find a link between support for the concept of inheritance and age (see Figure 4.12). Interestingly here, it is the 50-59 age group who were least likely to say that it is important to them to leave a bequest (58%). But this is still a majority in that age group. Those under 50 seem more supportive of the concept, as do those over 80.

Figure 4.12: 50-year-olds were the least supportive of the concept of inheritance

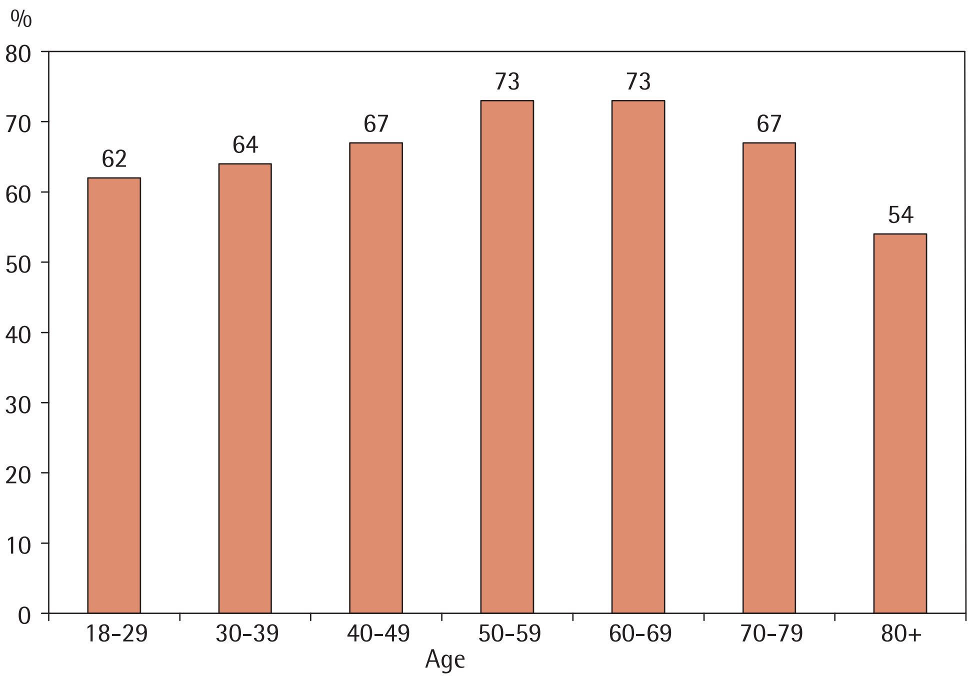


If we ask about support for inheritance in an even more personal way, we still find that those in their fifties (now accompanied by those in their sixties) were the least supportive of the concept (see Figure 4.13). Almost three quarters of potential bequeathers in these age groups said that they will enjoy life and not worry too much about leaving an inheritance. Those aged 80 or more were much less likely to say this (54%). And, indeed, 40% said that they will be careful with their money in order to leave an inheritance.

It is interesting to speculate about the reasons for these age differences. The first thing to note is that the link between age and attitudes to bequests is not a linear one. Support for the concept of inheritance appears to be at a modest level among those aged 18-29 and then drops until it reaches those in their fifties who seem to be the least supportive of it. Support then rises again and is at its highest level among those aged 80 or more. How might we explain this relationship between age and attitudes to bequests?

The first possibility is that there is an ageing effect. Perhaps when people are young and still close to (perhaps even living with) their own parents, they support the idea of leaving inheritances because they think that they will ultimately benefit if everyone supports this idea. This is a rather cynical point of view and we could take a more generous approach by suggesting that when younger people are closer to their families they are generally more supportive of ideas relating to intergenerational solidarity. Another possibility is that while people are young they can be optimistic about the future and may have great expectations about how much money they will have in later life. As they get older and, perhaps, have children, they might still support the concept fairly strongly because their children are dependent on them and they wish to demonstrate their support for intergenerational solidarity. But as they hit their fifties and their children start to become independent, their minds turn to their own retirement. Perhaps now reality dawns and they become concerned about their standard of living in retirement and so feel that they will need the money themselves. Or perhaps they feel that the years are passing them by and they want to enjoy life a little more than they had previously thought. As they progress into later life and in particular reach their seventies and eighties, perhaps they are becoming more closely integrated with their families again (perhaps through grandparenthood or through receiving care). So there may be a resurgence of support for intergenerational solidarity. And perhaps the desire to cruise

Figure 4.13: 50-year-olds were most keen to enjoy life



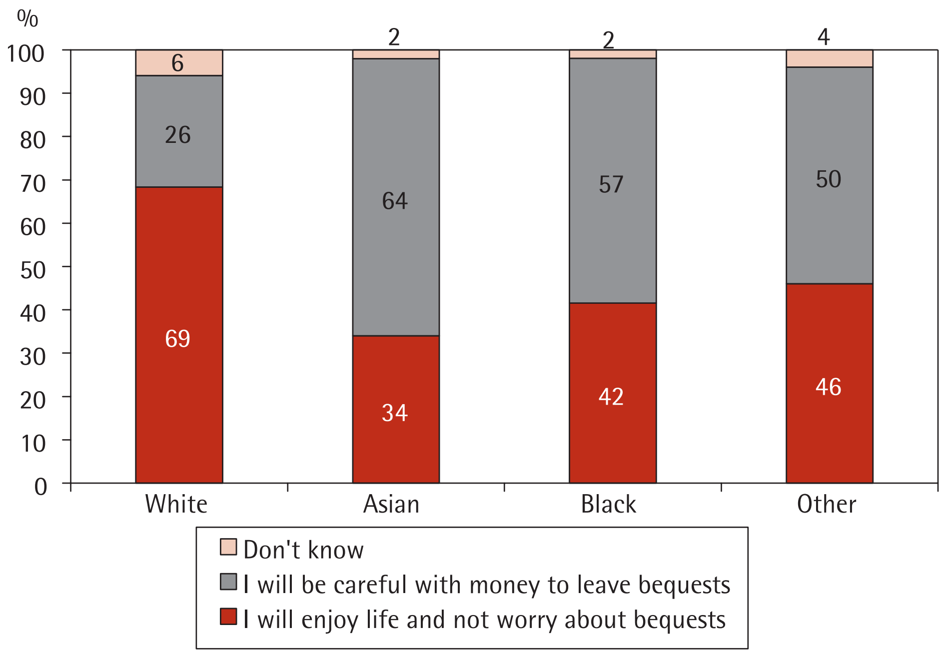
around the world has declined and thoughts turn instead to the comforts of family life and the idea of leaving some kind of legacy after they die.

It is certainly likely that there is an ageing effect here and that people's attitudes change over time as they grow older and see their circumstances change. But without panel data on this subject we cannot say for certain if this is the case. The other kind of effect that might be at work is a generation or cohort effect. Perhaps those in their fifties (the 'baby-boom' generation born between 1944-54) have different attitudes from their parents who experienced life during the Second World War. The baby-boomers grew up in the 'swinging '60s' when affluence was spreading and the consumer society was expanding. They were probably the first generation to take up the 'right-to-buy' opportunity and start using credit routinely. Their generation saw the increase in divorce from the 1960s onwards. Their attitudes to money and family life are therefore likely to be rather different from older generations who lived through more austere times. But what of people aged under 50? Why do they seem to be more supportive of the concept of inheritance? It is difficult to explain this through a generation effect unless there is some kind of rejection of individualism and resurgence of intergenerational solidarity occurring among this group of people.

It is likely that both ageing and generation effects are at work here. The baby-boom generation may well be different from older generations in terms of attitudes to family and money. But it is also probably true that attitudes change as people get older.

Leaving aside age, there are other patterns in the data that are interesting. For example, of those who might have something to leave, 64% of Asians and 57% of Black people said they would be careful with their money compared with only 26% of White people (see Figure 4.14). These differences look very strong and may relate to different ideas about family ties and generational contracts. However, it must be remembered that the sample sizes for the Black and minority ethnic groups are small and that a number of different groups are conflated in each of the groups shown in Figure 4.14 (for example, Pakistanis and Indians will both be included in the Asian group but are different in many respects). Having said all this, the findings do indicate that attitudes vary by ethnicity and further research in this field would be interesting.

Figure 4.14: Support for the concept of inheritance by ethnicity among potential bequeathers



There were also differences between people depending on whether or not they had children (see Figure 4.15). We divided the sample into all those with and without children but we were particularly interested in those people who might never have children so we divided those without children by age (under and over 45). Only 15% of childless older people (aged 45 plus) said they would be careful with their money compared with 27% of older people (45 plus) who had children. Inheritance does, not surprisingly perhaps, seem to be more important to those who have children.

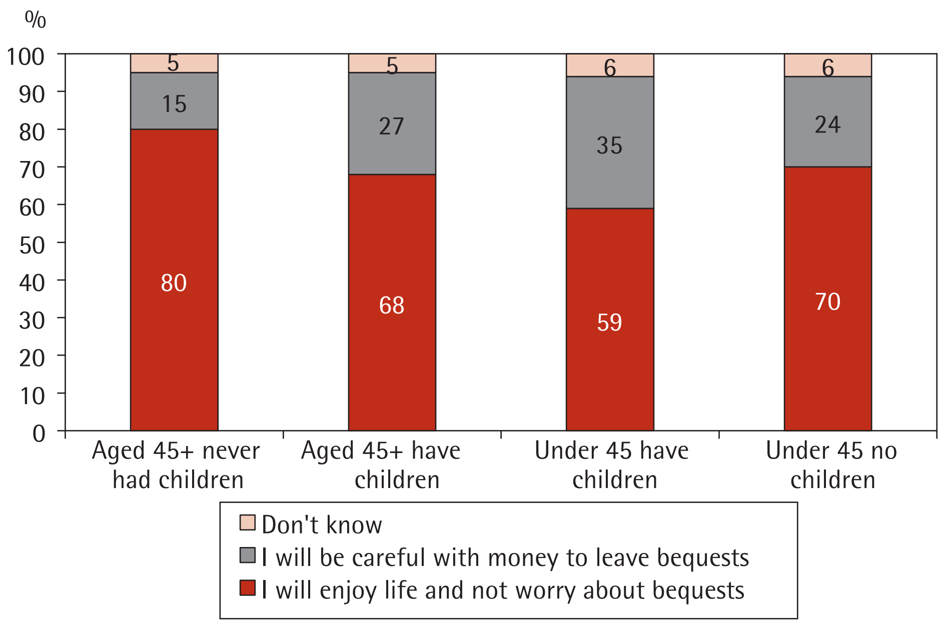
Among those with children, family type also had an effect, with lone parents (who were potential bequeathers) being particularly likely to say they will be careful with their money (39%) and about a third of couples with children still in the household also said that they would be careful with their money compared with about 1 in 5 of couples with children who have flown the nest. So it seems that parents with children still living at home more strongly support the concept of inheritance than parents whose children have left home. Perhaps this is linked to age, discussed earlier. Perhaps those in their fifties who now have an empty nest feel that they have supported their children sufficiently. They may now feel it is their turn to think about themselves, financially.

There was relatively little difference by social class on this question except that potential bequeathers in social class E were more likely than others to say that they would be careful with their money (38%). But this still left 54% saying that they would enjoy life and not worry too much about bequests.

Surprisingly, perhaps, there was no statistically significant difference on this question between potential bequeathers by gender, housing tenure or disability.

The fact that potential bequeathers who were either lone parents or in social class E were most supportive of the concept of inheritance suggests that those who have least to leave are most keen to pass something on to help future generations. Perhaps these groups recognise how valuable even a small bequest can be and maybe they also realise that they will have to be very careful with money if they are to have any hope of leaving something behind. More affluent groups are in the privileged position of being able to both enjoy life and leave something behind.

Figure 4.15: Support for the concept of inheritance by age/parenthood among potential bequeathers



The analysis so far suggests that a range of variables affect attitudes to inheritance, including age, ethnicity, parenthood, socioeconomic characteristics, family type, and so on, but some of these variables will be correlated with each other and so we have carried out a regression analysis to isolate those variables that have an independent effect on attitudes to inheritance. To carry out this analysis we focused on the question asked of potential bequeathers about whether or not they will enjoy life and not worry about inheritance or they will be careful with money so that they can leave an inheritance. The range of variables mentioned above were initially put in the regression model and then the results of the model were scrutinised to see which variables had least effect on explaining answers to this question. The model was then simplified, taking into account both our prior views about likely relationships and the statistical significance of the initial model results.

The main results from the regression analysis are shown in Table 4.1. The numbers presented in this table indicate how being in one particular group is related to people saying that they will be careful with money in order to leave an inheritance. In each case, where a variable is classified into different groups, the chances are compared with a standard reference or comparison group. The figures indicate whether, and the extent to which, attitudes to being careful with money to leave an inheritance differ from the standard group, with values greater than one indicating a greater likelihood, and less than one a reduced likelihood.

For example, there was a very strong effect of ethnic group: compared with the odds of 1.0 for White people, those of Asian and Black backgrounds were much more likely to say they would be careful with money to leave an inheritance. Those in social class E were also more likely to say this. When looking at this by age group, there was greatest support for this view from the young and, particularly, those aged 70 or over. Those with children, whether a lone parent or couple, were rather more likely to say that they would be careful with money than those without children.

Table 4.1: Logistic regression models of saying will be careful with money to leave an inheritance (odds ratios)

	Will be careful
Ethnic group (ref=White)	
Asian	4.1**
Black	3.3**
Other	2.3
Social class E (ref=all other classes)	1.7**
Age group (ref=40-49)	
18-29	1.5*
30-39	1.2
50-59	1.1
60-69	1.4
70-79	1.8*
80+	2.8**
Family type (ref=couple, no kids)	
Couples + child(ren)	2.6**
Lone parent	2.6**
Single person	1.2
R-squared (Nagelkerke)	0.1
Cases included	1,706
Positive outcomes	488

Notes: * = significant at 5% level; ** = significant at 1% level.

Underlying attitudinal dimensions

The previous sections in this chapter have reported on a range of questions that asked people about their attitudes to passing on their own assets. In order to understand better the attitudes that lie behind people's views in this area we have carried out a factor analysis to see whether a smaller number of underlying characteristics or dimensions can help explain respondents' overall attitudes to inheritance.

This analysis focuses on the potential bequeathers and involves analysis of a total of 12 attitudinal questions (10 of these were agree/disagree statements, one was how important or unimportant it was to them to leave a bequest, and the last was whether they would enjoy life and not worry about leaving an inheritance or would be careful with money so that they could leave an inheritance). The full list is shown in Table 4.2.

Our analysis has identified one factor that explains 22% of variation on the 12 questions posed to respondents and Table 4.2 shows that three questions in particular correlate highly with this factor. These three questions suggest that there is an underlying attitude about whether or not people *need* to inherit and respondents' views on this can explain a fair amount (22%) of their more general attitudes to inheritance. The second factor that we have identified explains 12% of variation in overall attitudes and relates to whether or not people feel that they (and older people in general) should enjoy life or be careful to leave money for an inheritance. We label this factor 'intergenerational solidarity' because it seems to reflect views about whether people should use up their assets during their lifetime or try to preserve them for future generations. We have also identified two further factors, although these each explain less than 10% of attitudinal variation. However, factor three is largely comprised of two questions about how keen people are to bequeath and how important they think it is to bequeath. The final factor relates to issues around whether or not people should spend or give away their money during their lifetime or save money for bequests.

We conducted a further analysis to explore how these different attitudinal dimensions varied across different groups of interest. There were some links between having

Table 4.2: Factor analysis of attitudes to inheritance

	Factor 1 22% Need to inherit	Factor 2 12% Inter-generational solidarity	Factor 3 9% Import-ance of inherit-ance	Factor 4 8% Spend in lifetime
People need to inherit property or money	0.716			
Grandchildren need to inherit property or money	0.703			
Older people should be careful with their money so that they can leave an inheritance	0.583			
People who look after their parents should receive more money in inheritance than those who do not	0.538			
I will enjoy life and not worry about inheritance/ I will be careful with my money		0.678		
Older people should enjoy retirement and not worry about leaving inheritance		0.551		
Children should be financially independent of their parents		0.499		
I would like to be able to leave an inheritance			0.835	
It is important to leave an inheritance			0.670	
People expect to inherit property or money			0.535	
People prefer their parents to spend their money rather than try to leave an inheritance				0.765
It is better to give children money when they need it than save it for an inheritance				0.705

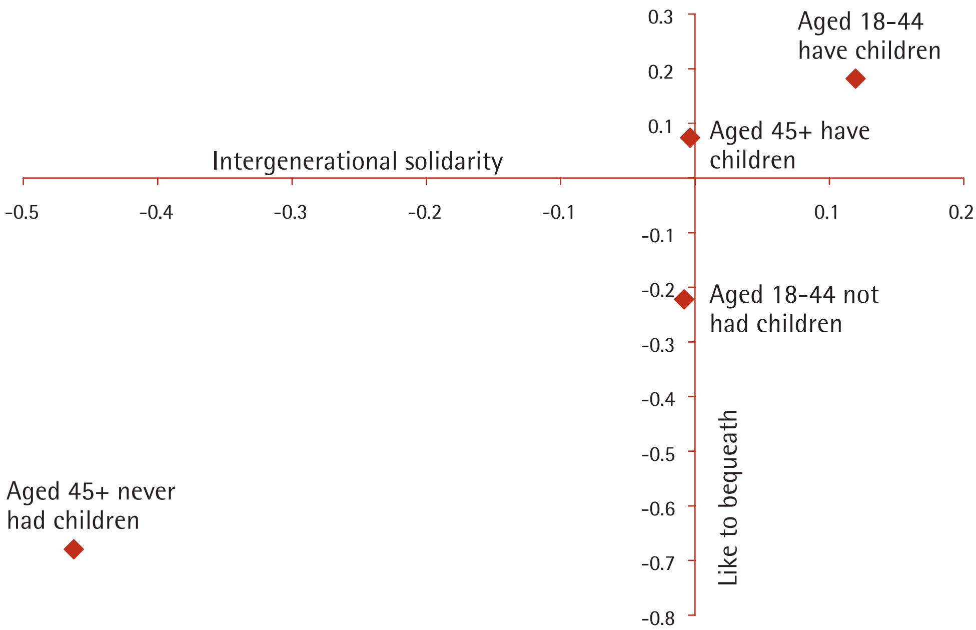
Base: Potential bequeathers.

different attitudes and being part of different age groups. Those aged 80 plus scored much more highly than other groups on the factor 1 (need for inheritance), suggesting that these older groups were much more likely to think that people needed to receive inheritance and, correspondingly, that older people should be careful with their money in order to leave inheritance. Factor 2 (intergenerational solidarity) struck a chord with people at either end of the life cycle – with 18- to 29-year-olds more strongly supportive of intergenerational solidarity along with those 80 plus. Both these groups were more likely to think that people generally, and themselves in particular, should be careful with money to leave inheritance rather than enjoy life. Factor 3 (importance of inheritance) did not seem to be related very strongly to age, but factor 4 (spending in lifetime) once again highlighted similar opinions among young and old in contrast with the middle-aged. For example, 18- to 29-year-olds and those in their seventies were much less favourable to the idea of using up resources during one's lifetime rather than preserving resources for inheritance. Those in their forties were most in favour of a lifetime use of resources.

There are various ways of further analysing people's underlying attitudes. One approach is to analyse the individual factors by people's characteristics to explore the different attitudes of each group. The points shown in Figure 4.16 plot two of the different attitudinal dimensions, representing the 'average' views held by four different groups – classified by their age and child-raising history. If everyone had the same views, the points would all sit on the (0,0) point – the 'origin'; those more positive about either concept have positive scores, with negative scores for those less positive than the average.

Those aged 45 and older, who had not had children, scored lowest on their attitudes to intergenerational solidarity, and also on whether they would like to leave money behind. This group's attitudes were somewhat different from the three other groups, who had different but relatively more similar views. Those aged 18-44 who had children were the most positive about both concepts – leaving bequests and intergenerational solidarity. Those aged 45 and older, but who had had children, were slightly positive regarding wanting to leave a bequest personally, but had more average views about intergenerational solidarity.

Figure 4.16: Attitudes by age and child history



Who will be the beneficiaries?

Respondents who had said they would definitely (or very likely) leave a bequest were asked to whom they thought they, or their partner if they had one, might leave an inheritance. Children came top of the list, with 89% of respondents citing their offspring as potential beneficiaries. Grandchildren came next in line, mentioned by 12% of all respondents (see Table 4.3).

Our survey also asked people if they actually had any grandchildren and Table 4.3 shows how grandparents responded to the question about potential beneficiaries. Children came first again (with 95% mentioning them) but 28% of grandparents thought that they would leave something to their grandchildren when they die. Other relatives were much less likely to feature as potential beneficiaries of grandparents' estates. Previous research (Edwards et al, 2001) has suggested that grandparents on high incomes are more likely to consider making bequests to grandchildren than those on low incomes. It is difficult to replicate this perfectly as there are relatively few grandparents in different income groups in our sample but if we analyse the data by social class of grandparents, our survey found some truth to this, with grandparents in social classes D and E less likely to say that they intend to bequeath to grandchildren (25%) than grandparents in the other social classes, but there was no real difference between those in the professional classes (A and B) and those in the remaining social classes (C1 and C2). About 30% of grandparents in social classes A, B, C1 and C2 said that they might leave something to their grandchildren.

There is a growing group of people who will never have children and so we have analysed the above question focusing on those aged 45 plus who are childless. Nephews and nieces feature much more prominently in this list, with 43% of older childless people saying that they will leave a bequest to this group. Siblings also do fairly well as 27% of older childless people say they will leave their siblings something. Charities also benefit, as do other relatives and friends.

Table 4.3: Children were seen as most likely beneficiaries (%)

	All	All grandparents	Childless aged 45 plus
Children	89	95	0
Grandchildren	12	28	8
Parents/parents-in-law	1	0	3
Brothers/sisters-in-law	6	1	27
Nephews/nieces	6	1	43
Other relatives	3	2	17
Non-relatives	3	1	14
Charity	3	1	16
Other	1	1	5
Don't know	3	1	5
Unweighted base	2,008	495	153

Base: All who say they/their partner will definitely/very likely leave an inheritance at some point in the future.

Conclusions

The media often portray older people as SKIers (people spending their kids' inheritance) by going on cruises or otherwise spending their assets on largely hedonistic pursuits. This contrasts with another image of older people – as 'living poor to die rich' by scrimping and saving so that they can leave bequests. The balance of evidence from our quantitative and qualitative research suggests that most people fall somewhere between these two extremes. We have given this new grouping the label OWLS (Older people withdrawing loot sensibly), as it seems that most people support the idea of leaving bequests in principle but in practice are prepared to use up some of their assets if necessary to maintain a reasonable living standard in later life. Most people appear to be following a responsible path of balancing out spending and saving assets for their own needs and also trying to preserve some assets for future generations. A clear conclusion of this study is that only a minority of people – at most 1 in 4 – are inclined to neglect their own needs in order to pass everything on.

However, attitudes do vary and our research suggests important differences by age group with those in their fifties and sixties being most keen to enjoy life and not worry about bequests. By contrast, those in their eighties and over are most likely to say that they will be careful with their money to leave a bequest. We argue that these age differences are mostly due to an ageing process but may also be due in part to generational differences. The baby-boomers in their fifties and sixties grew up in a very different social and economic climate than people aged over 80. This is likely to affect their attitudes to inheritance. But it is also likely that people in their fifties and sixties are at a particular stage in life when they feel young and healthy enough to make the most of the empty nest they now inhabit. And they may even have more income to spend (if their children have left home). As this group move into their seventies and eighties they may have less money and any inclination to go 'SKIing' may reduce as they become closer to their families again. So although those currently in their fifties and sixties do not seem particularly supportive of the concept of inheritance, they might change their attitudes over time.

Age was not the only important variable in relation to attitudes. Ethnicity seemed to be very important with Black and minority ethnic groups more strongly supporting inheritance than White groups, perhaps due to variations in attitudes to family ties and intergenerational contracts. But we did not interview sufficient numbers in these groups to be able to draw firm conclusions in this area.

The family type of respondents certainly made a difference to attitudes. Older (45 plus) childless people were, perhaps not surprisingly, most keen to enjoy life and not worry about bequests. With increasing numbers of people choosing not to have children, support for the concept of inheritance may well weaken. Among those with children, younger people (those under 45) were more likely to be careful with their money to leave a bequest than older parents and perhaps this links in to the comments above about age.

Attitudes to inheritance cannot be analysed without reference to people's abilities to leave bequests and we discovered that 9 in 10 respondents were potential bequeathers (that is, they either currently had something they could leave as a bequest or expected to at some point in the future). So issues around inheritance now affect the vast majority of the public rather than just a small elite as has historically been the case. Of course, the ability to leave bequests varies, principally by socioeconomic factors, but even among some of the poorest groups in society (such as those in social class E), most expect to leave something as a bequest when they die.

5

Attitudes to assets

Introduction

Chapter 4 considered general attitudes to leaving bequests. This chapter links attitudes to inheritance with the broader question of attitudes to assets. Attitudes to accessing housing equity are obviously important here as housing wealth is usually a major component of people's asset portfolios, and may be viewed differently from more liquid assets (Financial Services Authority, 2002). This chapter will therefore consider how people feel about their home. Is it primarily something that they wish to bequeath to their family or do they see it as an asset that they might potentially draw on in later life? And what do they think about the Equity Release Home Schemes currently available in the market? What about other ways of accessing housing equity, such as trading down by moving to a smaller property?

One of the issues around attitudes to assets is whether there is a bequest motive behind people's asset-accumulation behaviour but various studies suggest that bequest motives are relatively weak. For example, according to the Survey of Care for Elderly People (Erens and Turner, 1997), 'only' 17% of the population (aged 25 to 70) thought that the most important reason for married couples in their forties or married couples approaching retirement to save was to leave money to their children. The figure rose to 23% for retired couples. When people were questioned about the main reason for owning one's home, 'only' 11% of the population said that it was so that there was something of value to pass on to their family. So most people were not primarily motivated to accumulate assets by a bequest motive (cited in Hancock et al, 2002).

A survey of low-income home buyers who had previously rented their home (including some exercising their right to buy) found that the most common reason for deciding to buy rather than rent was that it was 'an investment'. Four in 10 (41%) said this was the main advantage, followed by a quarter (26%) saying 'it gives you a better sense of security' and 16% that 'you get a better choice of home'. Very few (7%) said that they had bought in order to leave a bequest to their children. In-depth interviews, however, showed that many people who saw house purchase as a wise investment also had at the back of their minds that they would be able to leave it to their children (Kempson and Mackinnon, 1994). So bequest motives were not absent from their minds even if they were not at the forefront.

Previous qualitative research with people on low-to-middle incomes (Whyley and Kempson, 2000) similarly found that people felt that they had helped their children out financially when they were setting up home or getting married, and so any money they saved in later life was for their own old age. No one in that study was saving in order to leave an inheritance.

Regardless of motivations to accumulate assets, non-pension assets could be drawn on to maintain or improve living standards in later life. A number of trends have combined to cause serious concern about the adequacy of pensioners' incomes both now and even more so in the future. These trends are increased life expectancy, a decline in the birth rate (creating a higher 'dependency' ratio), people leaving work earlier and people saving too little in private or occupational pensions to make up for inadequacies in state pension provision (see McKay, 2003). The Pensions Commission (2004) believes that consideration should be given to whether housing assets could help pensioners to achieve a reasonable standard of living. It estimates that housing wealth now accounts for 40% more than all pension fund and life policy wealth. Smith (2004) reports that people aged 65 plus have as much as £460 billion worth of un-mortgaged equity in their homes. But the distribution of assets is highly unequal both by age and within particular age groups. And if assets are to provide a significant boost to income in later life they need to be substantial. The Pensions Commission (2004) suggests that a useful benchmark is about £80,000, which is equivalent to the implicit value of a fully accrued basic state pension for men (the figure is slightly higher for women – £88,000). This sounds like a very high benchmark but the state pension is not considered to be particularly generous.

People can access the equity in their homes through a number of methods, such as:

- trading down through selling their current home and moving either to a smaller, less expensive home in the same area or a similar home in a less expensive area;
- selling and moving into rented accommodation;
- borrowing against the value of their home
  - either through extending an existing mortgage on a property
  - or by taking out a 'lifetime' or 'roll-up' mortgage in which no payments are made until the person dies (this is an Equity Release Scheme);
- selling a share (or all) of the home to an equity release company. This form of Equity Release Scheme is sometimes referred to as a home reversion scheme;
- selling a share of the home to a member of the family.

According to survey work by British Market Research Bureau quoted by Smith (2004), nearly half (46%) of home-owners aged 45-80 expected to access equity in their homes during retirement, for example through trading down to a smaller property. People in their forties or fifties were more likely to think that they will release equity than those already retired. Only half (46%) of owners aged 45-54 said that they wanted to leave their whole house as an inheritance compared with 69% of those aged 65-80. Awareness of Equity Release Schemes was high but only 11% of mortgage holders said they were likely to take one out in future.

People can access housing equity in order to pay for general living costs, or for capital expenditures such as cars, or for holidays and so on. Housing equity can also be released in order to pay for care. There is a strong view that taxes should pay for residential care (Parker and Clarke, 1997) and people generally appear to resent the view that home-ownership can be treated as planning for the costs of care. Finch and Mason (2000) also argue that older people feel they have an inalienable right to their property. But views may be different about using up assets to pay for care in one's own home (domiciliary care).

As mentioned above, Equity Release Schemes enable people to access the equity in their homes without having to move out of them. Age Concern (2004) provides an overview of these schemes, which can generally be split into one of two types, as follows:

- *Mortgage schemes (for example, fixed interest lifetime mortgages or 'roll-up' mortgages).* These schemes represented 90% of all sales of Equity Release Schemes in 2003 (The Actuarial Profession, 2005). They involve taking out a loan against the value of the home and paying off all interest and capital when the house is sold, usually after death. 'No negative equity' guarantees ensure there is no further call on the estate if the value of the loan overtakes the value of the property.

- *Home reversion schemes*. These allow people to sell all or part of their home to a company but remain living in the home. When the home is sold, usually after death, the reversion company receives the appropriate proceeds from the sale.

A review by Hirsch (2004) argued that confidence in Equity Release Schemes is a major obstacle to their take-up. The late 1980s brought Equity Release Schemes into disrepute as interest rates soared to a peak of 14% in 1989-90 and house prices began to fall after previous rises in prices of 20% annually during 1988 and 1989. Those who had taken out roll-up loans saw the interest on these loans spiral and the value of their homes fall, pushing them into massive debts, and in some cases, negative equity (Appleton, 2003).

Davey (1997) carried out a survey of people who had used Equity Release Schemes. She found, perhaps surprisingly given the history of these schemes, that they had high levels of satisfaction with these schemes, which they had used to finance everyday living expenses. Equity Release Scheme clients seemed more likely than average to be childless. Those with children said that one of the reasons for using these schemes was to avoid being financially dependent on their children. Of those with children, 80% said that inheritance was important to them compared with only 22% of those without children. The schemes only involved part of the value of the property so some of the value would still have been left for potential heirs. Davey concluded that the schemes had limited use in relation to paying for care costs or the costs of repairing homes. She also gave the following reasons for lack of expansion of such schemes:

- suspicion over the schemes;
- concern about value for money;
- fear of indebtedness;
- attitudes to inheritance;
- misgivings about the future direction of government policy;
- high administrative costs.

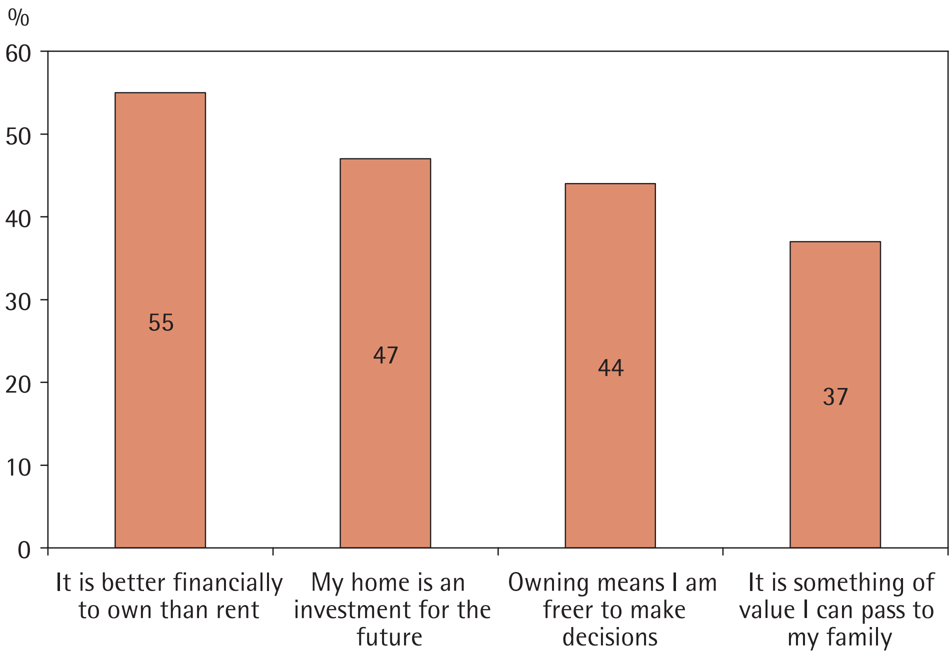
Davey's research took place fairly soon after all the problems with the early Equity Release Schemes and since then there have been a number of changes in the nature of Equity Release Schemes. The financial services industry has established 'Safe Home Income Plans' (SHIPs), which provide guarantees such as 'no negative equity' clauses. Some years later, Terry and Leather (2001) were therefore quite up-beat about the potential future growth in the market for Equity Release Schemes.

But another obstacle to the expansion of Equity Release Schemes is the relatively high administrative costs that make small releases of equity poor value for money. Those with only small amounts of equity may not be able to release any at all. And if they can release relatively small amounts they may be paying dearly for it. There is also a natural reluctance among home-owners to take out an Equity Release Scheme when it is very difficult to judge both life expectancy and future growth of property values. This makes it very difficult to calculate the benefits of some schemes.

Before discussing the findings in this chapter, it is worth summarising the figures given in Chapter 4 on asset-ownership in the survey, as follows:

- A third (34%) of respondents owned their homes outright and a further 35% owned with a mortgage.
- The median value of main properties (as estimated by respondents) was between £150,000-£200,000.
- About 1 in 10 home-owners had a second property.
- 80% of respondents had money in a building society or bank account or saving or investment scheme.

Figure 5.1: Feelings about owning a home among owner-occupiers



Attitudes to housing assets

Owner-occupiers in the survey were presented with four statements about home-ownership and asked to pick those that corresponded with their feelings about their own home (see Figure 5.1). The most commonly chosen statement was: 'It is better, financially, to own than rent'. Housing was therefore seen primarily in a financial way and this was reinforced by the fact that the second most common statement (chosen by 47% of respondents) was: 'My home is an investment for my future'. However, there were still large proportions saying that home-ownership gave them autonomy (44%) and that it was something of value that they could pass on to their family (37%).

While the statement 'It is something of value I can pass on to my family' was the least commonly-chosen statement, it was more popular with some groups than others (see Table 5.1). Those aged 70 or more (especially those 80 plus) were most likely to mention this statement than average, as were lone parents, those on low incomes and those in social class E. As we saw in Chapter 4, it seems that those from poorer backgrounds were more supportive of the concept of inheritance. Among the groups least likely to mention this statement were 18- to 29-year-olds and those in their fifties as well as those on high incomes and childless people. Surprisingly, perhaps, there was no difference between

Table 5.1: Groups most/least likely to say their home: 'is something of value that I can pass on to my family' (37% on average)

Most likely	Least likely
Those aged 80+ (61%)	18- to 29-year-olds (20%)
70-to 79-year-olds (46%)	50- to 59-year-olds (27%)
Those on low incomes, eg those on less than £100 per week (43%)	Those on high incomes, eg those on £36,400-£51,999 per annum (32%)
Lone parents (51%)	Those aged below 45 who have never had children (16%)
Those from social class E (41%)	Those aged over 45 who have never had children (25%)

first-generation and second-generation owner-occupiers. Nor was there any difference between people who had bought their home under the ‘Right-To-Buy’ scheme and those who had not. And there was no difference between men and women on this issue.

This attitude towards housing as an investment is reflected in answers to another question put to respondents about whether they thought investing in property or paying into a pension was the better way of making financial provision for retirement. Respondents were more than two to one in favour of bricks and mortar rather than pensions (61% compared with 26%). If we analyse this question by age we find that those in their seventies and eighties were more evenly divided between housing and pensions. Younger age groups – particularly those in their forties and fifties – were particularly positive about housing as an investment. The role of housing as a possible substitute for private pension saving has been the source of much discussion recently, with the Pensions Policy Institute (2004), for one, arguing that saving in property can be a supplement to private pension provision but is highly unlikely to be an adequate substitute.

Experience of accessing housing equity

As mentioned in the introduction to this chapter, there are a number of ways in which people can access housing equity, from taking out a second mortgage to ‘trading down’ to selling and renting and so on. A quarter of current or former owner-occupiers (25%) had already accessed equity in one or more of these ways (see Table 5.2). The most common way to access housing equity was to borrow against the value of the home (through extending a mortgage or possibly taking out a lifetime/roll-up mortgage). More than 1 in 10 of current or former owner-occupiers had done this at some stage. This option was most commonly cited among relatively young respondents and among those aged 30–39 – 18% said they had done this. All of these will be extended mortgages. But some older people also said that they had borrowed against the value of their home (6% of those in their sixties, 4% of those in their seventies and 1% of those in their eighties). Some of these could have been extended mortgages taken out during their working lives but some could have been roll-up or lifetime mortgages through an Equity Release Scheme.

Table 5.2: Which of these have you ever done?

	%	Peak age[a]
Borrowed against the value of your home (extending mortgage or lifetime/roll-up mortgage)	12	30–39
Moved to a smaller, less expensive home	8	60–69
Moved to a less expensive area	4	50–59
Sold and moved into rented accommodation	3	40–49
Sold a share of your home to an equity release company (home reversion scheme)	1	70–79
Sold a share of your home to a member of your family	*	20–29
None of these	75	80–89
Base	1,488	

Base: All owner-occupiers either now or in the past.

Notes: [a] peak age of respondents who say they have done this. This is not necessarily the same as the peak age *when* people have done this.

* fewer than 0.5% but more than zero.

Trading down was also relatively popular, with 8% having moved to a smaller, less expensive home and 4% having moved to a home in a less expensive area. Trading down appeared to be linked to retirement. Among 60- to 69-year-olds, 14% had moved to a less expensive home and among 50- to 59-year-olds, 6% had moved to a less expensive area. People were clearly making a housing/financial adjustment in the face of all the other changes occurring at that time.

Relatively few people had ever moved from owner-occupation to rented accommodation (3%). Figures were slightly higher for those in their forties, with 6% having moved out of owner-occupation. As we will see later, this is probably due partly to relationship breakdown where the family home is sold or someone moves out of it. Also, the early 1990s saw an increase in repossessions as those who had bought homes in the housing boom of the 1980s were unable to sustain home-ownership at a time of interest rate rise and economic down-turn. This is reflected in the very strong link between exits from owner-occupation and social class. Hardly any professional workers (social classes A and B) had ever left owner-occupation but more than 1 in 10 of those in social class E had done so (see Table 5.3).

Use of Home Reversion Schemes was not very widespread, with only 1% saying they had ever sold a share of their home to an equity release company. These schemes were mostly mentioned by those in their seventies, with 3% of this age group having used such a scheme. No one in their eighties mentioned using such schemes.

The final option listed on the questionnaire related to a private form of Equity Release Scheme whereby a son or daughter might 'buy' part of a parent's home. In the focus groups this option provoked a great deal of discussion and one person mentioned that she was considering a formal arrangement whereby her son would buy a proportion of the value of her house and then when she died, he would receive the same proportion of the final value. Everything else would then be split equally among all her children, including this son. The survey evidence suggests that this model was very rare, perhaps because few children have the resources to invest in part of their parents' property or perhaps because there are concerns about mixing financial and family ties. Rather than older people selling part of their home to their sons or daughters, it seemed, from the survey evidence, that younger people were selling part of their homes to their parents as this form of arrangement was most common among 20- to 29-year-olds. Perhaps this was a means of parents helping younger people onto the property ladder.

The majority of current or former owner-occupiers had never accessed any housing equity and this was particularly the case with those in their eighties – 86% had never accessed any housing equity.

Having looked at how many people had accessed housing equity and who these people were, the next question is what did they do with the money they accessed? The most common use of such money was to pay for property repairs/home improvements (39% –

Table 5.3: Strong link between social class and exits from owner-occupation (%)

	Social class					
	A	B	C1	C2	D	E
Sold and moved into rented accommodation	0	*	3	5	7	11
Base	66	409	429	322	168	90

Base: All owner-occupiers either now or in the past.

Note: * means less than 0.5% but more than zero.

see Table 5.4). This was followed by using the money to pay bills or debts, including the mortgage (28%). It was also fairly common for people to spend the money on essential items of daily living (23%). There was little evidence of people using the money frivolously. Just 1 in 10 said that they had spent the money on non-essentials such as a holiday. Some had given the money away to family or friends, perhaps to help the younger generation break into home-ownership. And some had used the money to retire early but very few had used the money to pay for care or to convert their assets into an annuity.

Table 5.4: What did you do with the money?[a]

	%
Used it to pay for property repairs/ improvements	39
Used it to pay bills/debts, including mortgage	28
Spent it on essential items of daily living	23
Spent it on non-essentials (eg holiday)	11
Gave it to family or friends	6
Used it to retire early	6
Used it to pay for care	1
Bought an annuity	*
Other	17
Base	368

Base: All who have ever accessed equity in ways mentioned in Table 5.2.

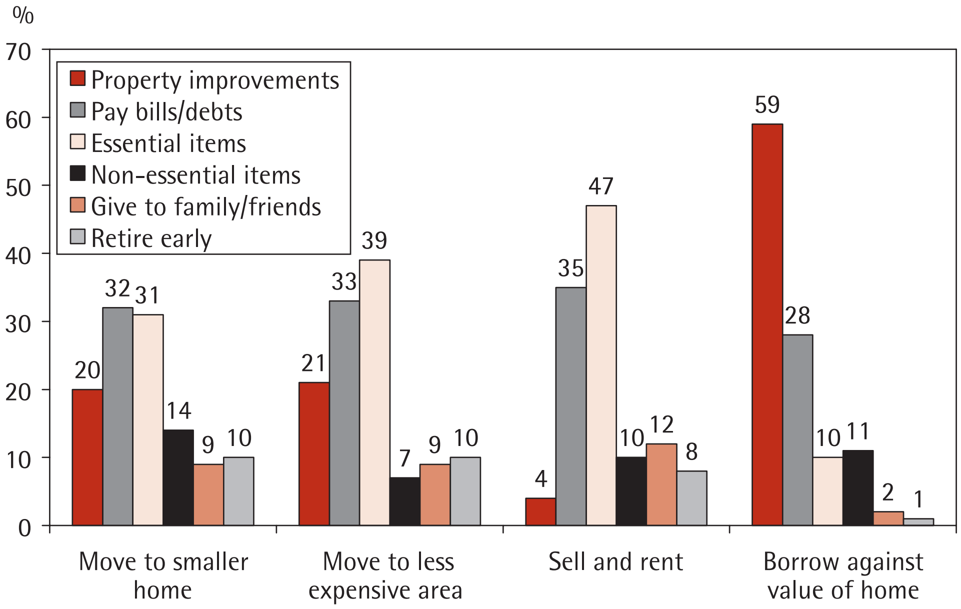
Note: [a] respondents were able to give more than one reason.

* means less than 0.5% but more than zero.

A large number of responses were given under the 'other' category on this question and these included people who said that they had saved/invested the money, put it into a business, or bought another property with the proceeds (perhaps taking out a second mortgage on their first home to buy a holiday home or a buy-to-let property). A number of people mentioned that they had released equity following a divorce.

Of course, the way the money was used was linked to the way the equity was released, as shown in Figure 5.2. Those who were 'trading down' were most likely to have used the money to pay for essential items and pay off debts. And the same was true – even more so – for those leaving owner-occupation. Those borrowing against the value of their home were doing so to make repairs or improvements to their property. About 1 in 10 of those who had traded down or left owner-occupation had given money to family or friends.

Figure 5.2: Uses of equity among those who had accessed housing equity



Attitudes to accessing housing equity

The previous section focused on those who had accessed housing equity at some time in the past. But what do people think generally about the idea of accessing housing equity (again) in the future? A large percentage (45%) did not know whether they would ever consider accessing housing equity. But among those who had thought about it and had an opinion, the majority said that they would consider one or more methods of accessing equity. The most popular method (mentioned by 26% of owner-occupiers) was to trade down by moving to a smaller home (see Table 5.5). Eleven per cent said they would consider trading down by moving to a cheaper area. Just over 1 in 10 owner-occupiers say they would consider borrowing against the value of their home (either through extending their mortgage or taking out a lifetime/roll-up mortgage). Fewer than 1 in 10 would consider leaving owner-occupation and only one in twenty would consider a Home Reversion Scheme. In fact, the same proportion would consider a family-based Home Release Reversion Scheme as would consider a market-based one.

Borrowing against the value of one's home was most likely to be considered by owner-occupiers in their twenties and forties, but 8% of those in their sixties said that they would consider this alongside 3% of those in their seventies and eighties or more (see Figure 5.3). For these older age groups, such borrowing would be through Equity Release Schemes such as lifetime or roll-up mortgages. Owner-occupiers in their sixties were the most likely, of all age groups, to consider selling a share of their home to an equity release company, with 8% saying they would consider doing this. 'Only' 4% of those in their seventies said they would consider this and none of those aged 80 plus. These schemes are, however, most suitable for people in their seventies, eighties and above as they provide better value for money for older people. But it seems that the demand may be coming from a younger group than these products are most suitable for unless this group are expecting to make use of such schemes later on in life.

There was a very steep social class gradient in terms of interest in borrowing against the value of one's home or selling part of the home to an equity release company. While 16% of owner-occupiers in social class A said they would consider borrowing against the value of their home, only 8% of those in social classes C2 and D said the same. And only 2% of owner-occupiers in social class E said they would consider such borrowing (see Figure 5.4). When it came to Home Reversion Schemes, 1 in 10 owner-occupiers in social class A said they would consider selling part of their home to an equity release company but none of the owner-occupiers in social class E said they would consider this (see Figure 5.4). Perhaps this is because those in social class A know that they will have sufficient equity to be able to release some but also leave some for bequests. The amount

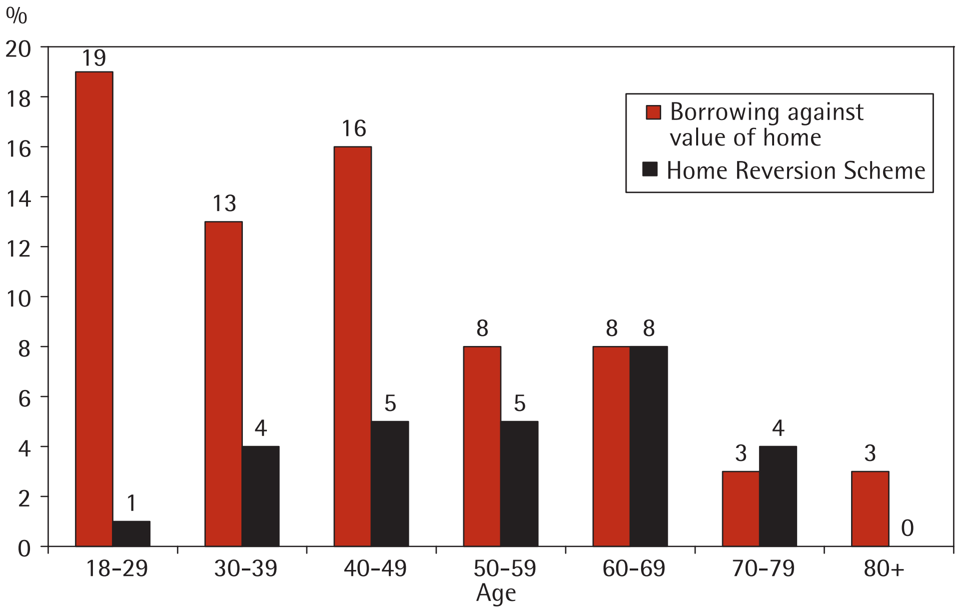
Table 5.5: Would you ever consider doing any of the following?

	%
Moving to a smaller, less expensive home	26
Moving to a less expensive area	11
Borrowing against the value of your home (extending mortgage or lifetime/roll-up mortgage)	11
Selling and moving into rented accommodation	7
Selling a share of your home to an equity release company (home reversion scheme)	5
Selling a share of your home to a member of your family	5
None of these	11
Don't know	45
Base	1,371

Base: All current owner-occupiers.

Note: Respondents were able to give more than one answer.

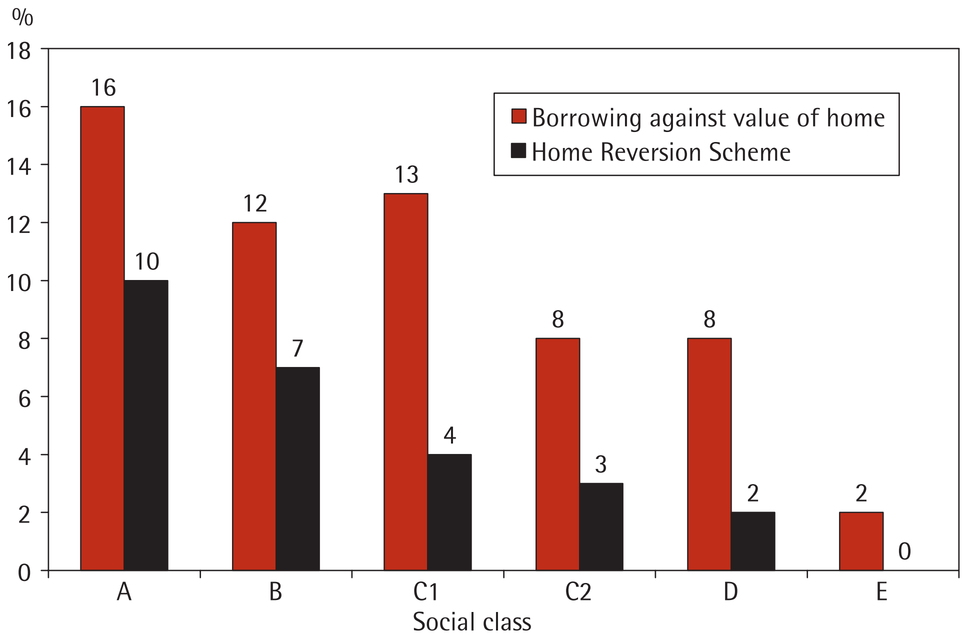
Figure 5.3: Whether or not owner-occupiers would consider borrowing against the value of their home or taking out an Equity Release Home Reversion Scheme by age



of equity available to those in social class E is likely to be very small and so provide little financial help. Having said that, this group is most likely to be in need of financial help, however small, so perhaps the bequest motive is partly responsible for those in social class E being least open to the idea of Home Release Reversion Schemes.

We might expect childless owner-occupiers to be more likely than average to consider using home reversion products and indeed 10% said they would consider doing so, twice as high a figure as average. The next section in this chapter provides further evidence and discussion about attitudes to Equity Release Schemes.

Figure 5.4: Whether or not owner-occupiers would consider borrowing against the value of their home or taking out an Equity Release Home Reversion Scheme by social class



We then asked a very specific question about whether or not owner-occupiers would consider selling or borrowing against their home in later years to spend their money in a variety of ways (see Table 5.6). Just over half said that they would not consider selling or borrowing against their home for any of the reasons put to them. Of those who would consider such actions, the most common reasons were to pay for property repairs, to pay for care and to retire early. Very few owner-occupiers (5%) said they would sell or borrow against their property to pay for non-essential items such as a holiday. So once again there is little evidence that people are hedonistic SKIers (Spending their Kids' Inheritance).

Table 5.6: Would you ever consider selling or borrowing against your home in later years to spend money on any of the following?

	%
Pay for property repairs	17
Pay for care	16
Retire early	10
Pay bills/debts, including mortgage	9
Essential items of daily living	7
Non-essentials (eg holiday)	5
Give it to family or friends	4
Buy an annuity	2
No, none of these	53
Don't know	5
Base	1,371

Base: All owner-occupiers now.

Younger people were much more willing than older people to consider selling or borrowing against their home in later years. A majority, about three fifths, of those under 50 said they would consider selling or borrowing against their home compared with about half of those in their fifties and only about a quarter of those aged 60 or more.

In the focus groups with owner-occupiers, a range of options for accessing housing equity were discussed. A number of people volunteered the fact that they had moved home at some time in the past in order to raise money. One man told how:

> "We bought a park [mobile] home and it's beautiful. We had a four bedroom detached house, lovely house it was, we sold it, paid off the mortgage and bought a park home which is a lovely place … had it built and transported, and it's got two lovely bedrooms, it's got an office for the wife, it's got en suite, separate bathroom, utility room, it's got everything."

But other people were generally more sceptical about the idea of trading down. They felt that older people did not want the upheaval of moving home and they would not want to move to a different area away from friends and family. This was thought to be related to age and to the length of time they have lived in their home:

> "Then again, if you've been in a house for a long time, you've got attachments to it you may not want to move."

There was also a feeling that people became accustomed to certain standards of housing and might not want to lower those standards:

> "…especially if you live in a nice detached house with a nice garden surrounding you and suddenly realising you might have to go down to semi-detached in order to make the difference … and a lot of people might not want to live in a semi-detached because they are used to detached."

> "I'm a bit set in my ways. I like where I am and what I do … I don't think I would like to go into a smaller house."

Others felt that, even if it is difficult to do this:

"Sometimes it's a case of needs must, isn't it?"

When prompted about the option of maintaining the same standards of housing but moving to a cheaper area, most people said that it was difficult to find a cheaper area. Even people who were living in one of the most expensive areas in the city said: "Everything is getting so expensive now".

One man had considered moving to the country, expecting it to be cheaper than the city but he said that it was no longer so cheap.

Another man said that he much preferred the idea of equity release compared with the idea of trading down because:

"If you take money against the house you are not going to leave the kids less than if you downsize so you might as well stay where you are and take the money against the house."

It is interesting that his view on this was strongly coloured by calculations about the effect of such decisions on inheritance. The next section of this chapter focuses on attitudes to Equity Release Schemes.

The idea of selling and renting was the least popular option across all age groups. The reasons for this varied. Some people disliked the insecurity that came with renting:

"I would never feel secure because they could kick you out anytime they wanted to for some reason or other."

Others felt that you had less autonomy:

"… restricted by a landlord aren't you."

There were also concerns about their future financial situation:

"You don't know whether the money you have got is going to last for you in rent."

"What happens when you live till you're 80 and all the money's gone then you ain't got a bean?"

Some felt that the cost of renting was very high; others that, whatever the cost, 'rent is a waste of money':

"It's money down the drain, isn't it?"

"Me and rent don't go together. I hate it, always have done. Money thrown away … lining someone else's pocket."

There was some discussion about the possibility of moving into a council house/ bungalow. Some people thought that this might depend on the amount of savings people had and so would be an incentive either to use up savings or to lie about them. Others said:

"All they have to do is go homeless and then they get a rented place."

But few people thought that older people would do this deliberately.

Overall, there were very strong anti-rent feelings, which seemed to go beyond the very rational arguments put forward by owner-occupiers. Hancock et al (1999) have questioned whether owner-occupation might be a burden rather than a benefit to some in later life. But the home-owners in the focus groups seemed to have a strong ideological commitment to the concept of owner-occupation as something central to their identity.

A number of other possible options for releasing housing equity were also mentioned. For example, some people suggested that older people might move in with their children and share money from the house sale to buy one big property. But others thought this would be too much of a loss of independence. Other ideas included the option of moving to sheltered accommodation. Some people liked the idea of a "nice old people's" complex with "no screaming kids all over the place". But others, again, thought that this would be too much of a loss of independence and too artificial an environment.

As mentioned earlier, some people raised the idea of a form of private Equity Release Scheme whereby children would buy part or all of their share in their parents' home and would then be guaranteed their share of the sale value when their parents died. Many people liked this idea because it did not involve dealing with equity release companies, which they generally distrusted (see next section). But as the discussion on this point continued, people started to have more mixed feelings:

> "You've got to have so much faith in your kids though … I know someone opposite us whose mum died and he's living in it now … and I think half the house is left to the son and he treats his dad terrible now."

> "Once they get their hands on the money then it causes problems ... I don't think I fancy that."

And some people mentioned that many people would not have enough money to buy a share in their parents' homes, so it might not be feasible even if it were desirable.

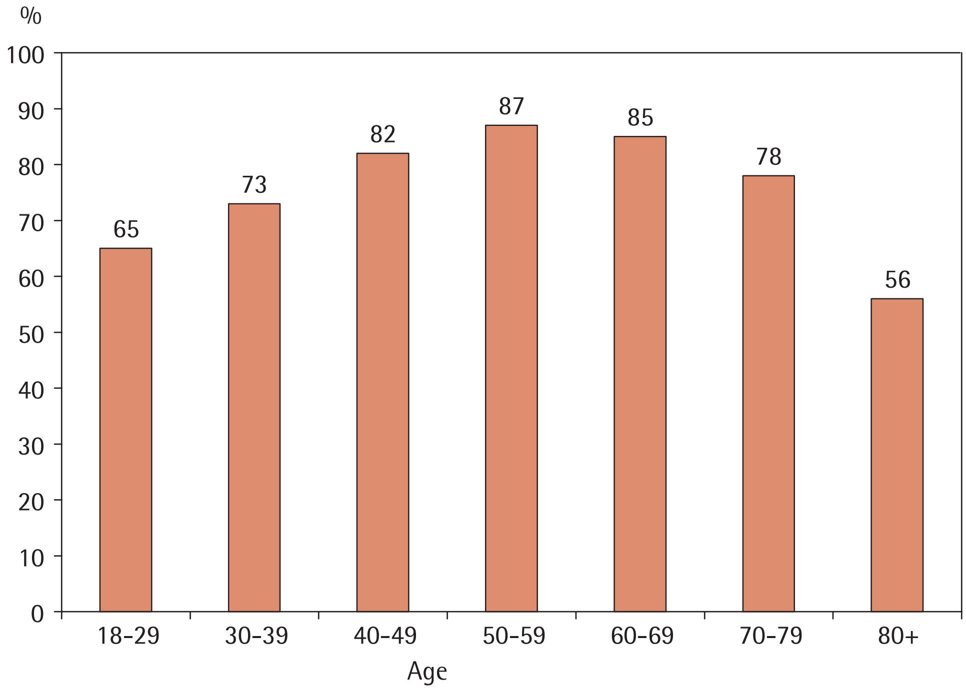
Awareness of, and attitudes to, Equity Release Schemes

Trading down and moving out of owner-occupation are options that a number of people take in order to release housing equity but most people would like to be able to stay in their own homes if at all possible. This is what Equity Release Schemes are designed for but, as noted above, very few people appear willing to consider them. So this section looks in more detail about people's awareness of, and attitudes to, such schemes. In our survey we asked all respondents:

> *Are you aware of schemes offered by financial companies whereby you can access money tied up in your home either by selling a share of it to the company or by taking out a loan that you don't have to pay off until the home is sold? They are sometimes called 'Equity Release Schemes'.*

In answer to this question 68% of all respondents said that they had heard of Equity Release Schemes and this figure rose to 78% among owner-occupiers. Figure 5.5 shows that awareness among owner-occupiers rises with age to a peak at 50-59 and then declines. The group with the lowest level of awareness was the 80 plus age group. In many ways, Equity Release Schemes are particularly suitable for this group who may have greatest need to release equity.

Figure 5.5: Awareness of Equity Release Home Reversion Schemes among owner-occupiers



Awareness appears to be quite high among the general public but what do they think about these schemes? The schemes have been criticised for being difficult to understand and there is some evidence that people agree with this (see Figure 5.6) but quite a few do not think that they are very difficult to understand. A bigger problem, it seems, is that they are perceived to be very risky (see Figure 5.6).

Figure 5.7 suggests that people generally think that these schemes do not provide good value for money, although a substantial proportion found it difficult to give an opinion on this question so perhaps the issue is more that people find it difficult to judge value for money. Figure 5.7 also shows that very few people say they trust the providers of Equity Release Schemes. This is, perhaps, not surprising given the problems with these schemes in the late 1980s and early 1990s (see p 52). It may be that people are not

Figure 5.6: Owner-occupiers aware of Equity Release Home Reversion Schemes generally considered them difficult to understand and risky

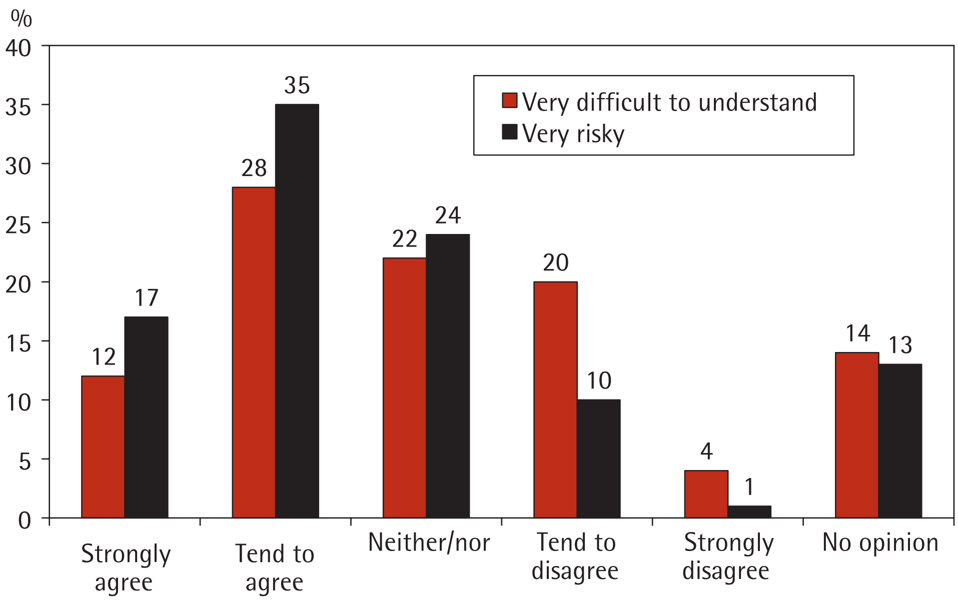
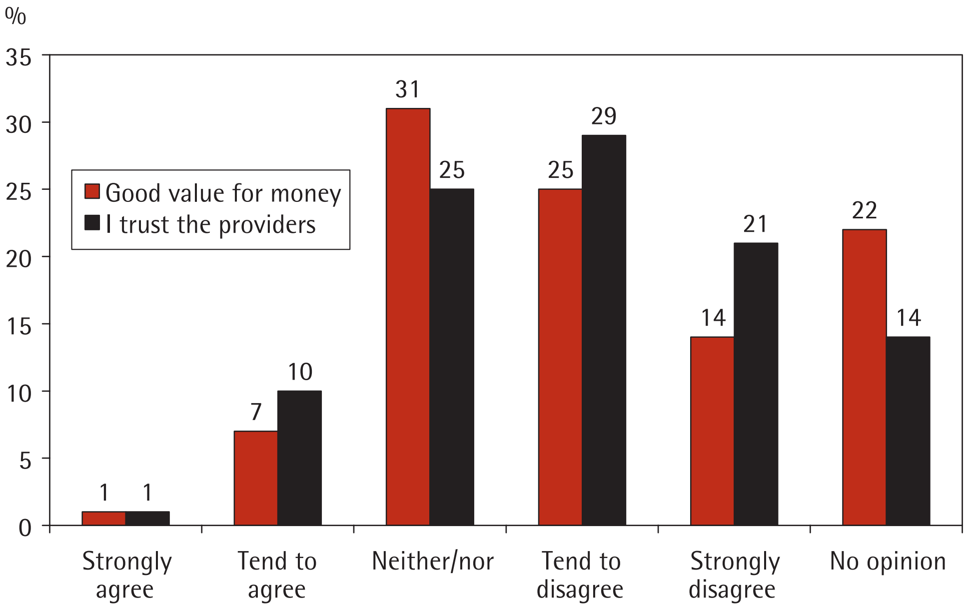


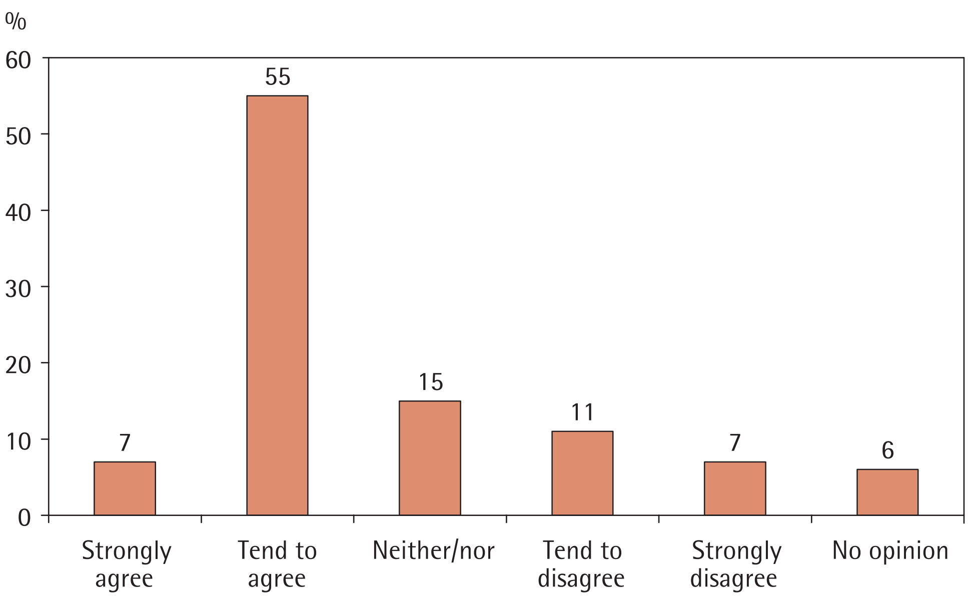
Figure 5.7: Owner-occupiers aware of Equity Release Home Reversion Schemes generally thought they provided poor value for money and they did not trust the providers



aware of the changes in the market since then (for example the 'no negative equity' guarantees that are available). Or perhaps people know about the guarantees but do not really believe them. In terms of age, the least trusting group were those in their seventies, with 30% strongly disagreeing with the statement: 'I trust the providers of equity release schemes'. This group may have had memories of the late 1980s and early 1990s but the second least trusting group were those age between 18 and 29, with 26% strongly disagreeing with the statement.

People, therefore, seem to have very negative opinions about Equity Release Schemes but when they are asked if they think these schemes are a good idea in theory more than 6 in 10 say they do (see Figure 5.8). This suggests that there is interest in the concept of equity release but that people dislike and distrust the schemes currently available in the market.

Figure 5.8: Owner-occupiers aware of Equity Release Home Reversion Schemes generally considered they were a good idea in theory (%)



The qualitative research explored attitudes to Equity Release Schemes in more detail. Some older people were particularly positive about the idea in theory:

> "Why shouldn't we [release equity to enjoy ourselves]? We've worked. It's our money. Our kids have got more money than us. Why shouldn't we use the money from our homes for ourselves?"

This woman felt that people should release equity in their home to enjoy their retirement. She might be considered to be a SKIer but she was in a minority. Other people were willing to consider the idea but only if they needed money to maintain a reasonable standard of living. They conformed more to the OWLS stereotype. They were not keen to release equity purely to enjoy themselves:

> "Because of the pension now, that's where you're gonna have to get your money, from out of the house."

> "It's a balance between being able to live independently, not excessively, but independently and under those circumstances I would consider dealing with a company."

These people thought that Equity Release Schemes would enable them to stay in their own home and so would be a good way of maintaining it in old age. So there would be security in old age and still some inheritance for the children. But some people were not at all keen on the idea and would only consider it in extreme circumstances:

> "If it's a last resort, you've got to take it, haven't you?"

A few said that they would never release equity from their homes. The focus groups explored why people had such different views of this issue. First, we explored perceptions about current Equity Release Schemes (for example, concerns about their value for money, their security and so on). This was certainly a factor as some people were very sceptical about the schemes currently on offer. Some people, particularly some of the youngest and oldest people in the focus groups, had very negative views of Equity Release Schemes:

> "There are those nasty Equity Release Schemes … 'we'll let you live in your home and only charge you 86% interest'!"

Another person said that they were:

> "Very, very dangerous – scams."

But others were less negative:

> "You know they're making money out of you, that's why they're in business, but it's all above board and you know exactly where you stand, I would have thought."

And another respondent thought that the regulation of these schemes was now much tighter:

> "There is a body now that oversees certain things. I don't think they can get away with as much as they used to."

Focus group members who were still sceptical were then asked if they would change their minds if the schemes were designed to be simple, safe and good value for money. This convinced some but others remained sceptical, however:

> "… but they won't offer a good deal, they never do, there's no good deals on that sort of thing."

> "You usually get caught out with these sorts of things – it's never straightforward."

They were then asked how they would feel about Equity Release Schemes if they were run on a not-for-profit basis by a respected and trusted organisation. This did remove virtually all the scepticism:

> "If someone like Rowntree was doing this sort of thing where they wouldn't be ripping you off then, yes, I'd seriously think about it if it meant I could enjoy my latter years."

Many now liked the idea in theory but said they still might find it difficult to carry through in practice:

> "When it comes to signing that form, I don't know."

A few people still said they would never release equity or would only do it if they were desperate. This was because they had invested so much in their house – not just financially but in terms of hard work and emotion. They wanted to keep it intact during their lifetime and then leave it to their children:

> "My children have grown up in the house. I've worked to acquire the house, to keep it, maintain it and run it and I've spent a considerable part of my life doing that and the thought of giving part of it away to a financial company just so I can live a little bit more comfortably, it would have to be very critical before I would go down that route."

> "What we've got is what we've worked hard for, what we've struggled for … and I think that I want my children to have that benefit."

Summing up, some people would consider Equity Release Schemes as they currently stand. Others said they would consider such schemes if they were simpler and offered both security and better value for money. Others would consider such schemes if they were offered by non-profit-making, trusted organisations. But there was a hard core of people who would not consider Equity Release Schemes in any circumstances. This was partly due to a belief that they had worked hard to establish a right to their home while they were alive. It was also partly due to a desire to leave their home intact to their children.

Attitudes to liquid savings

Housing equity is usually the main marketable asset that people have. But the majority of people have liquid savings, if only in a bank or building society account. And some people have quite considerable savings. Table 5.7 shows that only 17% of the population have no form of liquid savings at all. The most common form by far was a bank or building society account but about a third of respondents had ISAs or TESSAs and a quarter had stocks and shares. Another quarter had premium bonds.

Table 5.7: Ownership (including joint ownership) of different forms of saving and investment[a]

	%
Bank account or Building society	71
Premium bonds	23
Other national savings/post office products	8
Stocks and shares	24
ISAs/TESSAs	34
PEPs	10
Unit/investment trusts (excluding ISAs/PEPs/TESSAs)	7
Bonds	8
Other savings/investments	11
None of these	17
Refused to state	4
Base	2,008

Base: All.
Note: [a] respondents were able to give more than one answer.

Table 5.8: Reasons for accumulating liquid savings[a]

	%
Emergencies	44
Retirement	31
Holidays and special events (eg weddings)	29
Buying/maintaining a property	25
No particular reason	19
Buy a car/other consumer goods	16
Give/leave to children	15
Pay for care	6
Own education/training	6
Give/leave to grandchildren	5
Other	7
Don't know	1

Base: All with some savings.
Note: [a] respondents were able to give more than one reason.

So why did people accumulate liquid savings? And particularly relevant to this study, did people save this money in order to give it or leave it to children or grandchildren? The main reason people gave for saving money (see Table 5.8) was for emergencies (44%). It was 'rainy day' money that might be needed but was not being saved for anything specific. Just over 3 in 10 of those with savings said that they were saving for retirement. And a similar proportion was saving for holidays or special events. A quarter of the savers were saving to buy or maintain a property and 1 in 5 had no particular reason for saving, perhaps just having some money left over once their regular outgoings had been accounted for. As far as a bequest motive goes, 15% of savers said that they were saving to give or leave something to children and 5% said that they were saving to give or leave something to grandchildren.

Grandparents were, not surprisingly, most likely to say that they had saved in order to give or leave money to their grandchildren (11%), rising to 13% among grandparents in their seventies. The groups most likely to say that they would give/leave money to children included those in social class A and, not surprisingly perhaps, people with children (see Table 5.9). Those least likely included 18- to 29-year-olds and those on very low incomes. There was no difference between men and women on this question. This result seems to slightly contradict earlier findings that people on low incomes are the most favourable towards the concept of inheritance because it seems that the bequest motive is not as strong among them when it comes to accumulating savings. But perhaps

Table 5.9: Groups most/least likely to say reason for saving was to give/leave it to children (15% on average)

Most likely	Least likely
Those in social class A (24%)	18- to 29-year-olds (7%)
Those on less than £100 per week (8%)	Lone parents (23%) and couples with children (21%)

once assets have been accumulated, people from poorer groups are keener to maintain them for bequests.

This last point seems to be reflected in the answers to a specific question asked of savers about whether or not they would be careful with their savings in order to leave some as an inheritance. While 30% of savers overall said that they would be careful with their savings, people from poorer groups were much more likely to say this, as follows: lone parents (36%); non-home-owners (36%); people on Income Support/Job Seeker's Allowance (37%); and those in their eighties or older (41%). However, this still means that a majority of savers say that they will spend their savings whenever they want to and not worry about leaving any as an inheritance.

Conclusions

In Chapter 4 we saw that people's support for the concept of inheritance weakens when they are faced with a choice between maintaining their assets for bequests or using their assets to maintain a reasonable living standard for themselves in later life. The research findings presented in this chapter provide further support for that conclusion. Previous research (Finch and Mason, 2000) had suggested that people felt they had an inalienable right to their property and were reluctant to consider accessing any of the equity in it. But our research suggests that people's attitudes to housing are more flexible. First of all, people generally think that housing is a better form of retirement planning than a pension. To some extent they see their home as their pension and this only makes sense if they are willing, and able, to access their housing equity in later life.

Following on from this, our research suggests that people are already accessing housing equity, principally through remortgaging during their working lives and trading down on or close to retirement. Some sell their homes and move into rented accommodation and a few take out Equity Release Schemes. A quarter of current or former owner-occupiers have accessed housing equity in one or more of these ways. There is little evidence to show that they are doing this to spend the money on non-essentials, such as holidays, as it typically goes on property repairs/improvements, paying bills/debts or buying essential items. People are therefore behaving more like OWLS than SKIers.

While people may hope that they will not need to access housing equity in later life, they are aware that their retirement income may not be enough to maintain a reasonable lifestyle. Rather than expect the government to raise the value of state support substantially it seems that they currently expect that they might need to take individual action by accessing their housing equity. Among those who have given the idea some thought, a majority of owner-occupiers said they would consider accessing equity in the future. Trading down was the most popular option. Relatively few (1 in 20) said they would consider Home Reversion Schemes but this appears to be mostly because of concerns about the nature of the schemes currently available in the market.

In both the quantitative and qualitative research there was a great deal of interest in Equity Release Schemes in theory, particularly if they were provided by trusted organisations, perhaps in the voluntary sector. This suggests scope for further developments in the provision of Equity Release Schemes and The Actuarial Profession (2005) has produced a report projecting the possible future size of the market in this field based on an analysis of means, need, appetite and ability (to access information).

However, those most in need of accessing their equity have least equity to access and also tend to be least favourable to the idea of accessing it. Furthermore, any income or capital they access may affect their entitlement to means-tested benefits. If the government wishes to focus its attention on those of more modest means, it is therefore likely that some kind of support will be required. There have already been some recent developments in government policy in this field, with local authorities now having powers to provide equity release loans for property repairs/improvements and also to take a charge against an individual's home instead of selling it if the owner goes into long-term care. But further developments, including more partnerships between private, voluntary, local and central government sectors, could result in products to enable those who wish to do so to access housing equity.

6

Wills and knowledge of inheritance law/tax

Introduction

In Chapter 2 (p 6) we outlined the principle of 'testamentary freedom' in English law, which allows people a very large degree of freedom to bequeath assets. But to take advantage of this freedom people must make a will. It seems surprising, therefore, that previous research has estimated that only a minority of those who die make a will. Finch et al (1996, p 32) suggested that about a third of those who died aged 18 plus left a will that was admitted to probate (that is, covered an estate above a certain value), but this probably covers the majority of wealth that is left. There was also some suggestion that men were more likely to make wills than women.

According to Rowlingson (2004), triggers for making a first will include:

- the illness of self or a relative or friend;
- the death of a relative or friend;
- having to sort out the estate of a family member;
- family change (for example, marriage, but more commonly divorce and remarriage);
- long-distance travel (for example, by airplane).

House purchase is also likely to be a reason for some people making their first will.

Reasons for not making a will involve the following, according to Finch and Mason (2000):

- Intestacy legislation (or perceptions of it) will give people the outcome they want anyway so there is no point in making a will.
- Property is often jointly owned so it will automatically go to the partner if the other dies.
- People make agreements with family about distribution of property so they do not make a will.
- People make gifts to others during their life so there is no need for a will.
- People have no assets to leave (although housing tenure does not seem linked to whether or not people have made wills).

Rowlingson (2000) found that people gave the following reasons for not making a will:

- there were no assets to leave;
- there was no one obvious to leave anything to;
- it was morbid to think about death;
- they had not yet got round to it;
- they did not expect to die for some time and would make a will before they did;
- there were too many things happening in life, so it would be best to wait until life became more settled before making a will;
- it was too difficult to sort out their affairs.

In line with previous studies, younger people in Rowlingson's study (2000) were much less likely to have made a will compared with older people. And last wills are generally written very late – the median is age 69 for men and 73 for women (Finch and Mason, 2000). So will-making is not necessarily a one-off activity. People may make several changes to their wills during their lifetime.

Some people therefore die with substantial assets but no will and so go into intestacy. The intestacy laws are complex and the rules depend on the size of the estate. But there is a clear hierarchy of claims with a spouse and/or children coming first, then parents, then siblings and their children, then grandparents, then uncles and aunts. Distinctions are made between full- and half-blood relatives. In the 1970s it was argued that the spouse should receive all the estate, but this was not introduced and currently any surviving spouse may share the inheritance with any surviving children (see Chapter 2, pp 6-7 in this report and Finch et al, 1996).

Chapter 2 (pp 6-7) also outlined the law in Scotland, which allows surviving spouses prior legal rights to the deceased's estate. These rights are similar to the rules on intestacy within English law so, in practice, there are few major differences in the practice of inheritance between England and Scotland. Similarly to Scotland, there are limits to free testacy in many European countries and civil law reserves statutory portions to nuclear family members. Opinion polls in France and Germany show strong support for the right to inherit from parents (Willenbacher, 2003).

Inheritance tax is another part of the legal framework in this field. If estates are over the threshold (£263,000 from April 2004) then any amount left above this level is taxed at a rate of 40%. Assets left to husbands or wives (but not cohabiting partners) are exempt from inheritance tax. Assets left to charities are also exempt. Any outstanding bills (including funeral expenses) are tax deductible (Inland Revenue, 2003). Given increases in owner-occupation and house prices it is surprising, perhaps, that Inland Revenue figures show that only 6% of all estates paid inheritance tax in 2003/04 (Inland Revenue, 2005). This leaves 94% of estates that did not pay any tax either because they were below the threshold, or were exempt from inheritance tax because the assets were passing to a spouse or charity, or were exempt on other grounds.

Despite the fact that very few estates incur inheritance tax, it appears to be a very unpopular tax. This is even more surprising given that levels of support for the concept of inheritance do not seem particularly strong in our survey findings. According to a survey by Hedges and Bromley (2001), half of the population thought that no inheritances should be taxed. Younger people, perhaps those with most at stake in terms of potentially receiving an inheritance, were most opposed to the tax. More surprising, perhaps, is that those in the unskilled and semi-skilled manual working classes (with least to leave and/or inherit) were more opposed to inheritance tax than those in the professional and managerial classes. But these findings reflect, to some extent, our evidence about the increased levels of support for the concept of inheritance among poorer groups.

Inheritance tax is one of the most unpopular taxes in the Chancellor's portfolio. It also fails to bite into the assets of the very wealthy who are able to find tax loopholes. As a result of this, the Fabian Society (2003) has called for a new form of taxation of wealth transfer to replace inheritance tax. It argues for a change in policy so that the *recipient* of any inheritance is taxed rather than the estate of the deceased. And the Institute of Public Policy Research has called for a banding system rather than a simple threshold[3].

[3] See http://www.ippr.org/press/index.php?release=334

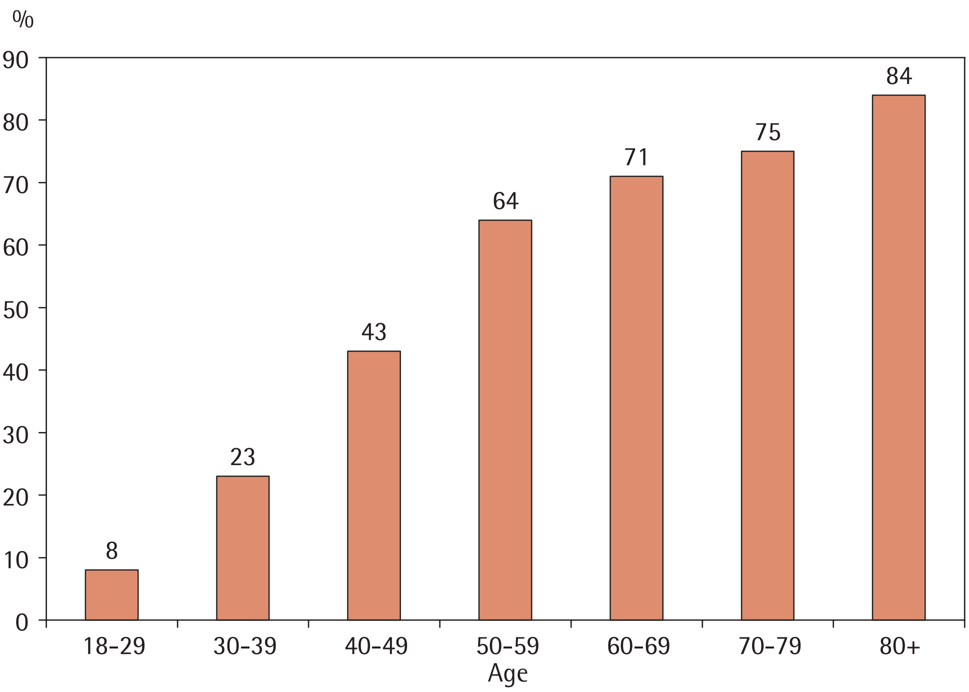
Making wills

Almost half (45%) of the sample said they had made wills. This is much higher than in previous research, for a number of possible reasons. Owner-occupation has increased and so more people have an asset worth bequeathing. And increases in divorce and remarriage also make it more important to make wills as people's wishes in relation to bequests may not be as simple or as clear as they once were. But our figures may slightly overestimate reality here, as people may feel that they ought to have a will and so say that they have one in the survey even if they actually do not.

Will-making was certainly linked to increasing age in our survey, with three quarters of those in their seventies having made a will, rising to 84% of those in their eighties or above (see Figure 6.1). Among younger people, those with children were more likely to have made a will than those without: 27% of parents aged under 45 had made a will compared with only 9% of those under 45 without children. And among those aged 45 or over, those with children were also more likely to have made a will than those who were childless (68% compared with 58%). A driving factor behind will-making is whether or not people have assets to leave. Six in 10 of those who said that they had property or savings to leave said that they had made a will and three quarters (76%) of outright owners had made a will. But this still means that a quarter of outright owners and 4 in 10 of those with something to leave had not made a will.

Contrary to the suggestions made in Finch et al's (1996) book, women were actually more likely to have made a will than men (77% compared with 72%) and this could not be explained by women's increasing longevity, as women in all age groups (apart from the 30- to 39-year-olds) were more likely than men to say they had made a will. Will-making was also linked to socioeconomic characteristics, as those in the higher social classes were more likely to have made a will than others. There was also a strong link with ethnicity, as only 17% of Asians and 12% of Black people had made a will (compared with 47% of White people). This is likely to be due partly to the different age and socioeconomic profiles of these groups, but further research would be needed to explain these differences.

Figure 6.1: Will-making by age



The survey asked those who had not made a will why this was the case. The main reason given was simply that they had not got around to it yet (see Table 6.1). And closely linked to this was the fact that some people felt they were too young to think about it. Almost half of those aged 18-29 said that they were too young to make a will. So did 17% of those in their thirties and even 6% of those in their forties. Life expectancy is probably on the side of these people, but no one can be certain about how long they will live. Almost 1 in 5 (17%) of the public said that they had not made a will because they had nothing to leave and this was a very common reason given by at least 3 in 10 of those in rented accommodation. Some people (9%) felt that there was no need to make a will because their money would go to the right person in any case but, as we will see later, popular understanding of the law around inheritance is by no means perfect and it is likely that many of these people are misjudging what would happen with their money after they die. And even where the money will eventually go to the person they want it to go to, the lack of a will could complicate and delay matters for the person's relatives. A few people said that they did not like to think about wills or did not know how to do it. Very few said that they were deterred from will-making because of the expense.

Knowledge of inheritance tax and inheritance law

Respondents were asked a number of questions about their knowledge of inheritance tax and inheritance law. One of the issues raised by Finch et al (1996) was that people were unaware that inheritance tax and law made major distinctions between married couples and cohabiting couples, even if the cohabiting couple had been living together for many years. For example, inheritance tax is not liable if someone dies and leaves assets to a spouse, but it is liable between cohabiting partners. With the growth of cohabitation it is interesting to see if people are aware that there is such a difference in law between married and cohabiting couples. So respondents were asked whether a cohabiting couple who had been together for at least 10 years would be treated the same as a married couple when it comes to inheritance laws. Almost half (46%) said, correctly, that they would not, but a substantial minority (39%) mistakenly thought that long-term cohabiting couples had the same rights as married couples in inheritance law and 15% did not even make a guess at the answer (see Figure 6.2).

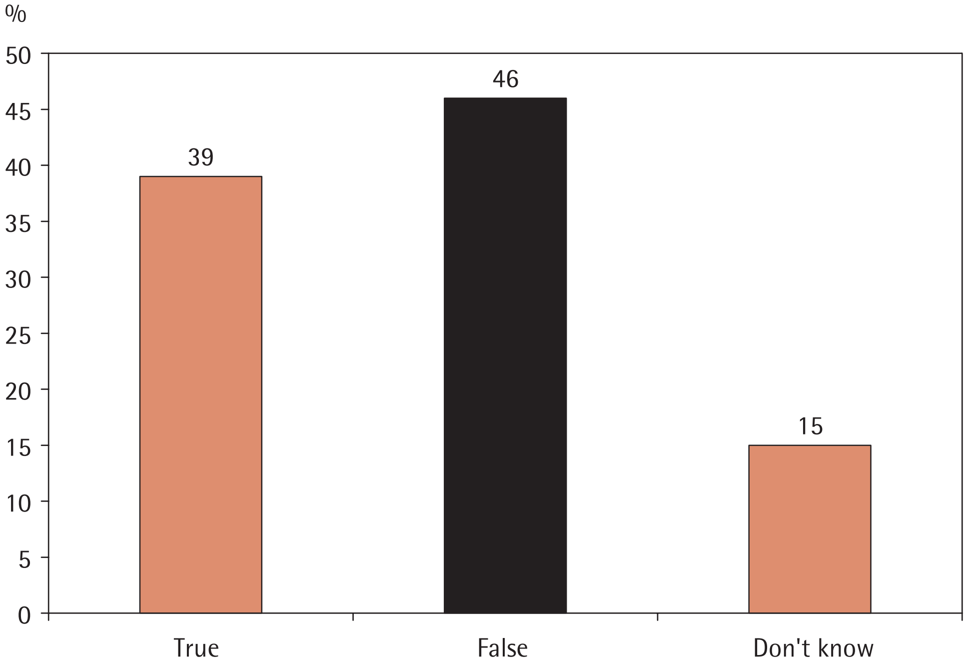
We might expect that cohabiting couples would have a greater awareness of the law in relation to cohabitation but this was not the case: they were no more likely than average to think that cohabiting couples would be treated the same as married couples if they

Table 6.1: Reasons for not having made a will

	(%)
Haven't got round to it yet	58
Too young to think about it	20
I have nothing to leave	17
No need to make a will – my assets will go to the right person	9
I don't like thinking about such things	7
I don't know how to do it	2
I don't know who to leave my assets to	1
It's too expensive	1
Other	2
None of these	1
Don't know	2
Unweighted base	2,008

Base: All who have not made a will.

Figure 6.2: Do you think it is true or false that cohabiting couples who have lived together for at least 10 years would be treated the same as married couples when it comes to inheritance laws?



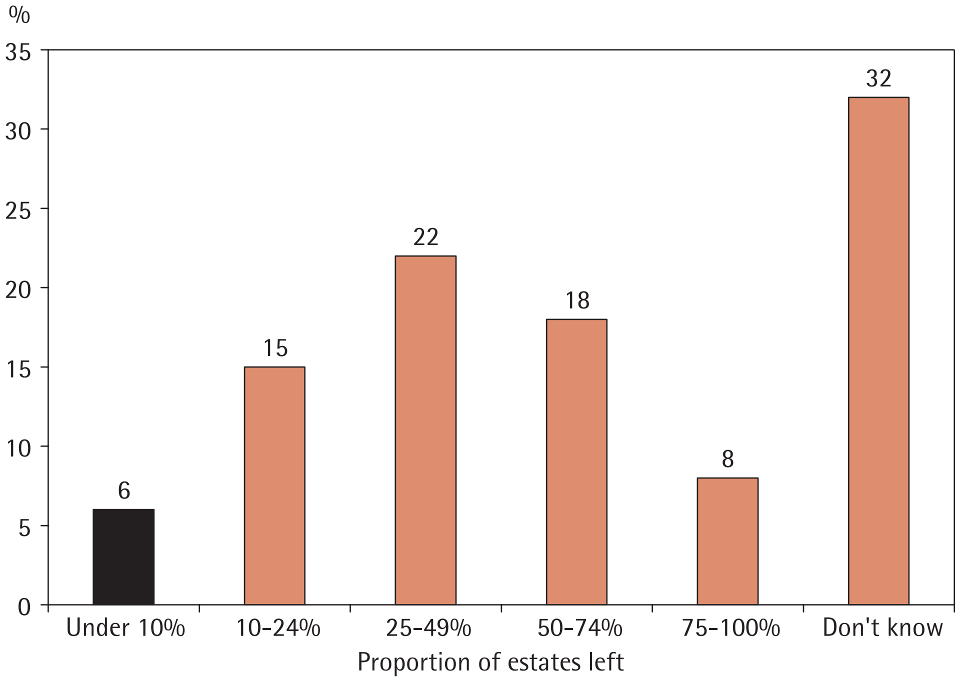
had been living together for 10 years or more. Men were equally as likely as women to get this question right or wrong. Those in social class A stood out as having a higher level of knowledge than other groups – 69% said, correctly, that long-term cohabiting couples would be treated differently from married couples. Those educated to degree level or above were also better informed than average, with 60% getting the answer right. Those who had something to leave as an inheritance or who had previously received an inheritance were only slightly more likely than average to know the right answer to this question.

Respondents were then asked what proportion of estates left by people who died in the previous year had paid inheritance tax. The actual figure was 6% but very few people knew this (see Figure 6.3). Only 6% mentioned this figure and some of these could have been lucky guesses. Nearly a third of the population (32%) simply said they did not know. Among those who gave an answer, the most common assumption was that somewhere between 25% and 49% of estates paid inheritance tax – far more than actually did.

Perhaps it is not surprising that knowledge is relatively poor, given that very few estates actually pay inheritance tax. Some people were more informed about this issue than others – including 60- to 69-year-olds and those in the top professional class (A). Twelve per cent of those in social class A knew that fewer than 10% of estates paid inheritance tax last year. Those with degrees had a similar level of knowledge as this group. If we focus on people with high levels of assets we also find their knowledge of inheritance tax is higher than average – 12% of those with homes worth at least £500,000 knew that fewer than 10% of estates paid inheritance tax last year. But this still means that the vast majority of people in this group either did not know or overestimated the scope of inheritance tax.

Respondents were then asked a couple of questions to measure their knowledge of how inheritance tax is calculated. The first question asked respondents how much money would have to be paid in inheritance tax if a man dies and leaves £300,000 to his wife. In

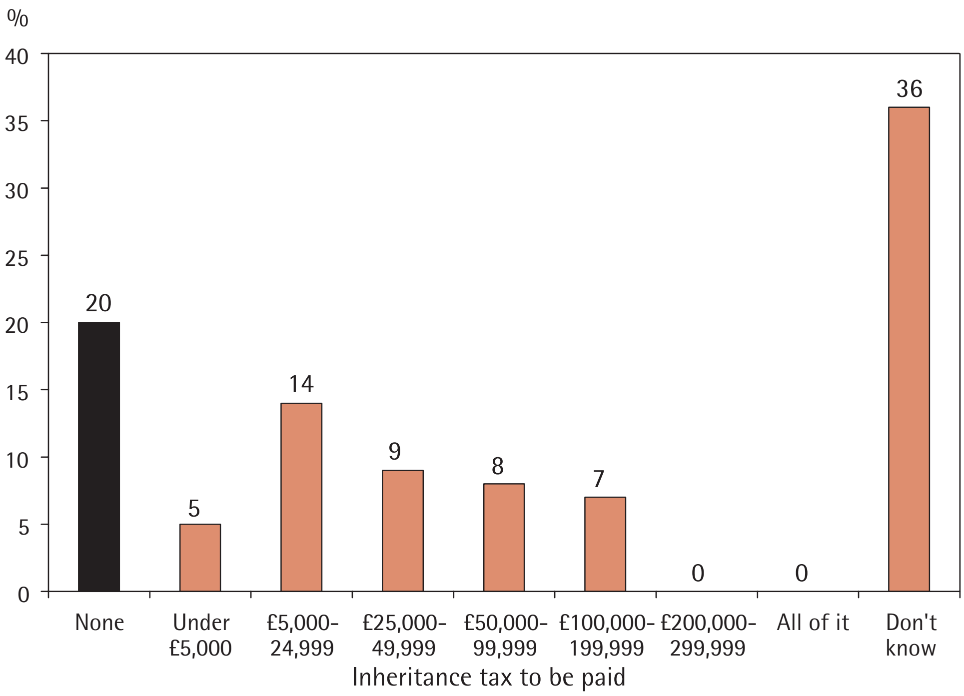
Figure 6.3: What proportion of estates left by people who died last year do you think paid inheritance tax?



actual fact, no money has to be paid if a person dies and leaves assets to their spouse. One respondent in 5 gave this answer (see Figure 6.4). More than a third (36%) were unable to give any answer. One in 5 thought the amount paid in tax would be up to £25,000 and a further quarter thought it could be anything from £25,000 to £200,000.

Once again, some groups were more likely to know the answer to this question than others. As many as 40% of those in social class A got the answer right, as did 29% of those who had made a will and 29% of those in their seventies. We would also expect

Figure 6.4: If a man dies and leaves £300,000 in his will to his wife, how much money, if any, do you think would have to be paid in inheritance tax?

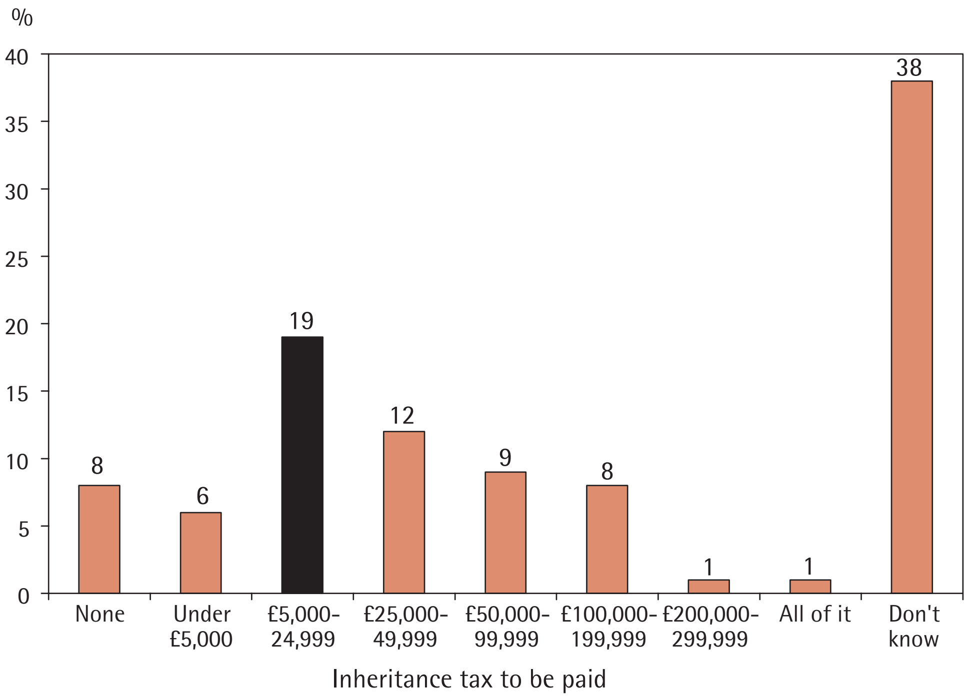


those with substantial levels of wealth to have a better idea of the answer to this question and this is, indeed, the case, with 29% of those with properties worth £200,000 to £249,999 getting the answer right, along with 39% of those with properties worth £250,000 to £499,999 and 65% of those with properties worth at least £500,000. But even among these affluent groups, for whom the question is more than just general knowledge, knowledge was by no means perfect.

Finally, respondents were asked about how much inheritance tax would have to be paid if a widow died and left £300,000 to her children. The threshold for inheritance tax at the time of the survey was £263,000, which means that assets under this level would not be subject to tax[4]. Any assets over the threshold are taxed at 40% and so the widow's estate would have to pay 40% of £37,000, or £14,800. We did not expect respondents to give us the exact answer and so gave them a number of bands to choose from. One respondent in 5 chose the right band (see Figure 6.5). Nearly 2 in 5 did not even guess. Once again, those in social class A were most likely to get it right, but only 30% did so, leaving the majority even in this group getting the answer wrong. What about those with properties with values around the inheritance tax threshold? About a third (32%) of those with properties worth £200,000 to £249,999 got the answer right, along with 36% of those with properties worth £250,000 to £499,999 and 38% of those with properties worth at least £500,000. So once again, these groups had higher levels of knowledge than average but only a minority got the answers right.

It might be tempting to conclude from these findings that perhaps a fifth of the population understand the rules around inheritance law, but people who answered one of the questions correctly did not necessarily correctly answer the others. In fact, only 1% of respondents answered all four questions correctly. Just over 1 in 20 (6%) answered three out of four questions correctly and 14% got two out of four correct. Two fifths (41%) managed to get (or perhaps guess) one correct answer and another two fifths (38%) failed to answer a single question correctly. So knowledge was weak. Those with

Figure 6.5: If a widow dies and leaves £300,000 to her children, how much money, if any, do you think would have to be paid in inheritance tax?



[4] The 2005 Budget announced that the inheritance tax threshold would rise to £275,000 in 2005-06, £285,000 in 2006-07 and £300,000 in 2007-08.

the best knowledge scores included those educated to at least degree level along with those in the professional classes. Those who were owner-occupiers or who had made wills or received an inheritance also managed to do slightly better than others.

Reflecting previous studies, there was a general view in all the focus group discussions that inheritance tax was best avoided and this provided another incentive to spend savings or give money away. But these views were often based on ignorance about how the system worked, as one of the younger people in the focus groups said that it was better to spend or give money away while you were alive than "see it eaten up in taxes, you know, inheritance tax – they take everything".

Conclusions

English Law provides a large degree of 'testamentary freedom' whereby people can leave their assets to whomever they choose so long as they do not treat dependants too poorly. But this freedom can be exercised only if a will is made. Our study suggests that levels of will-making are far higher than previous research has indicated. This is likely to be due to increases in owner-occupation, divorce and remarriage.

Previous research had suggested that people did not make wills because they assumed (sometimes incorrectly) that their assets would pass to the right people anyway if they died without a will. Our survey found little evidence of this, as the main reason people gave for not having a will was that they simply had not got round to it (yet). The second main reason was that people considered themselves too young to make a will. Only about 1 in 10 of those without a will said that they thought there was no need to make a will because their assets would go to the right people anyway. This is a reassuring finding, because our evidence also suggests that knowledge of inheritance law is very poor and so people might be making false assumptions about what would happen to their assets in the absence of a will.

While cohabitation has increased, even long-term cohabitation is treated differently from marriage in inheritance law. In the absence of a will, a spouse has clear claims to an estate, which a cohabiting partner does not. And no inheritance tax is liable on assets that pass to spouses through inheritance. Tax is liable between cohabiting couples. The introduction of civil partnerships for same-sex couples will put those couples who register these civil partnerships on a par with married couples in this area, but couples who are not married or registered as a civil partnership will still not be treated the same. Most of the public are not aware of the different treatment for cohabiting couples. More alarmingly, most cohabiting couples are not aware and so may assume that they have the same legal standing when, in fact, they do not.

Previous studies have found strong opposition to inheritance tax but our research suggests that this opposition is set within a context of ignorance, as very few people seem to understand how inheritance tax works and how many estates currently pay it. Even those with assets above the threshold to pay inheritance tax were generally unable to calculate roughly how much might be paid on an estate worth £300,000. All of this suggests a role for government in informing people better about the laws around inheritance (including the tax laws).

7

Discussion

When we think about inheritance a number of images come to mind. One image is of an aristocratic family passing the family estate down the generations. But inheritance, today, is an issue that concerns the majority of the population. Almost half have received some kind of inheritance at some point in their lives and rather more than half expect to leave something when they die. But, of course, some people are more likely to inherit, and bequeath, than others. Our research shows that White, owner-occupiers in professional occupations are more likely to receive an inheritance (particularly one of any significant value) than other groups. This suggests that there will be a further concentration of wealth in the hands of those who are already affluent. But some inheritances are also received by relatively poor people and a small amount of money to these people could make quite a difference to their living standards, if only temporarily. Most of the very poorest groups, however, have little chance of ever inheriting or bequeathing and thus will fall further behind in economic terms. More research on the links between inheritance and the transmission of wealth inequality is needed.

Following on from this, there is now a lively policy debate about whether receipt of inheritance might help maintain reasonable living standards in later life for people whose private pension provision is poor. But, as stated above, those who are most in need of receiving a windfall are least likely to get one. This might change, of course, over time but predictions are notoriously difficult. There is also a risk that if people come to expect an inheritance they may be less likely to make provision for retirement. This study shows that there is a small minority who think they will definitely receive an inheritance but most people think their chances are fairly slim, or very uncertain, so the effect on discouraging asset accumulation is likely to be weak. There appears to be a similarly weak bequest motive for encouraging asset accumulation, as few people appear to be saving or buying homes primarily in order to pass them on, but a minority do.

A more contemporary image that comes to mind in relation to inheritance is the SKIer – someone in their fifties or sixties going on holidays and Spending their Kids' Inheritance. This image has, to some extent, replaced an image of older people scrimping and scraping to save and maintain assets for bequests. But this study suggests that neither stereotype is particularly common. The data from the qualitative and quantitative research presented in this report suggests that people like the idea of being able to leave bequests but they are not be prepared to sacrifice their enjoyment in later life or be careful with their money in order to do so. We suggest that a more appropriate image is that of OWLS (Older people Withdrawing Loot Sensibly), as people do seem prepared to draw on their savings and housing assets, but only if they need to do so to maintain a reasonable standard of living.

This finding is reflected in the fact that people are far more likely to see property as a better way of making financial provision for retirement than pensions. And there are a number of ways that people are accessing the equity in their properties. Some move to a cheaper home, some borrow against the value of their home (either through extending their mortgage or taking out a lifetime/roll-up mortgage), some sell and move into rented accommodation and some take out a Home Release Reversion Scheme. About a quarter of current or former owner-occupiers have accessed housing equity in one or more of these ways. And, of those who had given it some thought, most said they would consider accessing equity in the future.

There was particular interest in the idea of Equity Release Schemes but owner-occupiers had a number of doubts about these schemes in practice. In particular, they saw them as risky and they did not trust the providers of the schemes. Furthermore, for those with modest amounts of housing equity these schemes are very expensive, if available at all. This all suggests a possible role for collaboration between central and local government, along with the voluntary and private sectors to develop Equity Release Schemes further. And if the government expects housing equity to be accessed in later life as a supplement to state pensions then it might also consider how to support those who release equity, especially those with low incomes and modest levels of housing wealth.

Inheritance tax is highly unpopular and there are a number of proposals for reform currently floating around. This study shows that there is considerable ignorance about the laws around inheritance, including the issue of inheritance tax. Most people (including cohabiting couples themselves) were not aware that cohabiting couples were treated differently from married couples in relation to inheritance tax and law. And even those with properties worth more than the threshold for inheritance tax had very low levels of knowledge about how inheritance tax is calculated. This suggests a role for education in this field. But, given the potential link between inheritance and the transmission of inequality mentioned earlier, it is also important to think carefully about the role of inheritance tax. Currently, only 6% of estates are taxed and so it seems more than premature to change the rules in ways that will reduce the revenue from this tax.

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Appendix: Methodology

Introduction

This appendix provides details of the research methods used in the study of attitudes to inheritance. There were two main stages to the study: four focus groups and a survey of 2,008 members of the general public.

Focus groups

The first empirical part of the study comprised four focus groups. The main aim of this part of the study was to help us design the questionnaire for the national survey. The focus groups were therefore carried out to establish:

- what people understood by particular terms such as 'inheritance';
- the range of possible answers to key questions;
- whether people, especially younger people, had thought very much about inheritance.

The Joseph Rowntree Foundation (JRF) was particularly interested in people with moderate economic resources, especially low-income owner-occupiers and income-poor, asset-rich older people. All members of the focus groups were owner-occupiers. Attitudes to inheritance may vary by age and so one of the focus groups comprised younger people (aged 25–44), one comprised more middle-aged people (aged 45–64) and two comprised people aged 65 plus.

To find people on moderate economic resources we checked the occupations of owner-occupiers and, for those of working age, screened out people who lived in households where the chief wage earner was in professional or managerial occupations (social classes A and B). This was a much more acceptable method on the doorstep than asking for details of income.

Among those aged over 65 there were two focus groups. One group involved people for whom the *state* pension provided the only or main source of income. The other group constituted people for whom the state pension was not the only or main source of income. This enabled us to compare the two groups where the only difference was source (and therefore level) of income. We also made sure that we had at least two people in their seventies or above in each of the 65-plus groups.

Finally, we recruited respondents in two locations within one city in the South of England: in one location house prices were relatively low (area A) and in the other house prices were relatively high (area B). At the time of the focus groups the average house price in Britain was £160,000. The average price for a semi-detached property was £140,000 in area A and £320,000 in area B. People in these different areas were likely to have quite different levels of wealth and, following on from that, different choices. It would be easier for people living in the more expensive areas to trade down to a less expensive area. Those in the less expensive area would have to move further away to benefit from trading down.

The final composition of the groups was as follows:

Focus group 1a: younger people
- aged 25–44, three men, four women;
- some with partners, some married, some single, one with children;
- living in an area of relatively low property values;
- home-owners but not in social classes A or B.

Focus group 1b: middle-aged people
- aged 45–64, two men, three women;
- all married with children (some with grandchildren);
- living in an area of high property value;
- home-owners but not in social classes A or B.

Focus group 2a: older people, lower income
- aged 65+, three men, three women;
- all had children, five had grandchildren, all married except one widow;
- living in an area of relatively low property values;
- mostly reliant on the state retirement pension for income.

Focus group 2b: older people, higher income
- aged 65+, two men, four women;
- all married with children (most with grandchildren/great-grandchildren);
- living in an area of high property values;
- not mainly or only reliant on the state retirement pension for income.

We employed PlusFour to carry out the recruitment and organise the groups. It recruited respondents using a screening questionnaire designed by the research team. Respondents were given £30 each for attending the groups. All of the discussions were moderated by Karen Rowlingson in April 2004. Each was tape-recorded.

The full findings from the focus groups can be found in Rowlingson (2004). Briefly, the groups demonstrated that people shared a broad understanding of the term ‘inheritance’, which they saw as occurring when items or assets were passed from one person to another on death. But there were differences in relation to whether or not inheritances between spouses were considered as inheritance. The conclusion from this was that the questionnaire should contain a clear definition of what was meant by inheritance. Overall, members of the focus group, even younger members, had no difficulty contributing to a discussion on this topic. Even where they had not given the issue much previous thought, focus group members nevertheless had quite strong views.

Survey research

The national survey was the central component of the study and was designed to provide around 2,000 completed interviews in 60 randomly selected wards across Britain, with a target of around 34 interviews to be completed in each. The research was initially set up as a preselected survey, at randomly selected addresses (drawn from the Postcode Address File) and with the interviews to be completed with a random person at each address. However, during the course of the fieldwork it became apparent that the response rates were relatively low and that 2,000 interviews would not be achieved within the timetable and budget available. The sampling strategy was therefore switched to a quota design and the rest of the interviews were completed on this basis. In total, 2,008 interviews were completed – 1,066 based on random sampling and 942 based on quota sampling. In carrying out the analysis for this report, we have compared the results from the quota and the random samples, but sample type appears to have very little effect. This reflects other research that suggests that a well-constructed quota sample can be just as good, if not better, than a probability sample (King, 1986; Scarborough and Marsh, 1990; Market Research Society, 1992).

All interviews were completed using Computer Assisted Personal Interviewing (CAPI), face-to-face in respondents' homes, between 5 July and 7 October 2004. Fieldwork was conducted by MORI.

Piloting

Following the focus groups, the questionnaire was developed by the Universities of Bath and Bristol in collaboration with MORI and the JRF. A pilot was then carried out by three interviewers, using CAPI. A total of 30 interviews were completed in three areas adjacent to three of the 60 mainstage sampling points. Quotas were set on gender, working status, housing tenure and age. The pilot took place 18–20 June 2004, with a personal interviewer debriefing held on 21 June. The key findings from the pilot were that there was some difficulty in recruiting people to the survey, but once they embarked on the interview the questionnaire ran smoothly, people generally understood the questions and seemed interested in the issues covered. However, some tweaking of question wording was needed, particularly in relation to the term 'inheritance'. The questionnaire was longer than the 30 minutes allowed and so some cutting of questions was needed.

Random survey

The random sample was designed as a regionally stratified, clustered sample, with the primary sampling units (wards) selected with probability proportional to size (PPS) following stratification by region and percentage owner-occupation. A total of 60 primary sampling units were selected. Addresses were then randomly selected within these sampling points and one respondent per household was selected from each address using a Kish Grid approach.

It is difficult to give an accurate response rate for the random sample because the fieldwork in most sampling points was ended prematurely and switched to quota sampling. We cannot therefore predict exactly what would have happened if the survey had been allowed to run its course and actions such as reissuing implemented. However, in the sampling points where random sampling was fully completed and not changed to quota, the response rate was 51%. Overall there were large differences in response rates by sampling point. If we take all of the sampling points where interviewing had begun using the random sampling method and then take the number of achieved interviews with the number of refusals/non-contacts after four calls at the point when random sampling ended, the average response rate achieved by interviewers was 43%.

Given the difficulties, MORI reviewed the reasons for the low response rate and have suggested that these include:

- In more affluent areas, there was resistance to the subject matter, which was seen as intrusive and too personal.
- In less affluent areas, where people may have nothing to leave and no one to leave them anything, the survey was considered irrelevant by some.
- Older people in particular seemed concerned about the subject matter.
- The initial use of the Kish grid on the doorstep to select the respondent requires more information about the whole household and at this point the person answering the

door asked for more information about the study than would usually be the case. This seems to have led to more refusals than if a named person had been approached directly.

A number of strategies were considered in order to boost the response rate and a letter was sent out to all refusals to try to convert them back to giving an interview. Letters were sent out to 600 potential respondents and this led to four interviews but the decision to switch to quota was made before this strategy was completed and so it could have generated a few more interviews.

Quota sampling

Due to difficulties with the random sampling method, the sampling strategy was switched to a quota design and the rest of the interviews were completed on this basis. Therefore, the first 1,000 cases were sampled in this manner; the second 1,000 cases were sampled using quota methods. Quota sampling involves interviewers identifying individuals to interview who meet a range of sociodemographic conditions. The quota methods were applied in the same primary sampling units (wards) as the main sample, with different numbers of cases depending on how far fieldwork had progressed in that area. Quotas were also set with regard to gender, working status, tenure of the whole household and age.

Fieldwork

Random sampling fieldwork took place between 5 July and 10 September. A minimum of four calls were made to each address at different times of the day, including evenings, and on different days of the week, including weekends. These calls were recorded on the contact sheet. As fieldwork was conducted during the prime summer holiday season, there was a minimum of three weeks between the first and final call.

All interviewers working on the survey received full written instructions. The University of Bath provided a letter for interviewers to show and leave with respondents.

Weighting

The random sampling approach used is self-weighting, at least in terms of households. To be used as a sample of individuals, the weight for each individual must be proportional to the number of individuals in each household, since the chance of an individual being selected is a factor of household size. After conducting a survey of this kind, analysts may also use post-stratification, or calibration weighting (‘grossing’), to compensate for differences in response rates and align results more closely with the national profile.

The random sampling approach is much ‘purer’ and amenable to statistical analysis using sampling theory, but quota sampling is cheaper, simpler in the field and more popular in market research. Available literature that compares the two methods leads us to believe that the effect on the results obtained is likely to be small. And we have checked this for ourselves in our analysis.

Representativeness

The tables in this appendix describe the sample composition of:

- the Family Resources Survey (FRS) 2002–03, generally showing weighted figures (but unweighted results in a few instances);
- the 2001 Census micro-data (SARS);
- the current Attitudes to Inheritance (A2I) survey, with results shown separately for quota, preselected, and weighted preselected samples. Weighted results are based on household size, as described above, only. The tables for gender and age are based on combining the two samples, with a household size weight for the preselected sample and an unweighted quota sample. The last column gives the fully weighted random and quota sample.

In principle we would expect the weighted FRS to be relatively similar to the Census, given that Census-related information is used to generate weights. However, the match is not exact: the FRS weighting (or grossing) factors are based on age, gender, lone parents/ all families with children, housing tenure and Council Tax band (although these are being changed).

Overall the A2I contains too few young people (aged under 29), and a few too many aged 30–44 (Table A1). The gap is around three to four percentage points for the younger group. The correspondence is improved by the appropriate sample weighting of the preselected sample. There are too many women and too few men in A2I (Table A2). The FRS also has a higher response rate among women, but to a lesser extent. This over-representation of women seems to be a response issue rather than connected to the sample selection method, since correctly weighting the preselected sample makes the fit a little worse.

Perhaps as a direct reflection of the above, A2I contains somewhat too few single people, and more married people, than would be expected. There was also some under-representation of owner-occupiers buying with a mortgage in the A2I. However, this may be reflecting different question definitions across the surveys – A2I is based on the person rather than the dwelling.

Overall the regional balance was about right, as might be expected given the sampling. It is possible that the A2I survey contains a few too many people in the South-East, and too few in London.

In terms of the effects on some key outcomes, such as experience of inheritance, including the quota sample reduces very slightly the proportion who have inherited (see Table A3). This probably reflects the somewhat lower proportion of owner-occupiers in that part of the sample.

Weighting

In the light of the above considerations and descriptions, we used both the preselected and quota samples combined, having checked for any differences between the two in reporting key descriptive results. Sample status was included as an independent variable in multivariate analysis.

Table A1: Age group

	2001 Census microdata	FRS 2002-03 unweighted	FRS 2002-03 grossed-up (Dec 02 factor)	A2I (weighted-random + unweighted quota)	A2I fully weighted (random + quota)
19-29	19	15	18	15	18
30-44	30	31	29	33	29
45-54	18	17	19	17	18
55-65	14	16	16	16	16
65-74	11	12	11	12	11
75+	9	9	9	7	9
Mean	na	48.5	47.5	47.8	47.6
Base	1,337,610	47,079	47,079	1,980	2,008
	Aged 19+, not communal, GB	Aged 19+, GB	Aged 19+, GB	Aged 19+, GB	Aged 18+, GB

The weights were based on:

- correcting the preselected sample to generate a representative sample of individuals in that part of the sample (weighted by household size, as shown in the tables); then
- using grossing weights for the combined sample to ensure that the resulting sample mirrors the general population.

Choice of population weights

The choice of grossing weights is determined by the key relationships of interest. Inheritance, both experience of and attitudes to, appears most closely linked to age and housing tenure, and possibly class. It would also be sensible to ensure that appropriate proportions of men and women are generated by the weights. The grossing weights were based on gender and age group. Weighting by tenure was not carried out because definitions of housing tenure in the FRS are based on households rather than individuals (as in A2I). Similarly, socioeconomic classifications vary between the FRS and A2I, making weighting by such variables problematic.

The penultimate column in the tables for age and gender (Tables A2 and A3) refers to the preselected sample weighted by household size and then combined with the unweighted quota sample. This enables comparisons of the figures from this sample with the Census and FRS – to look at areas where the representativeness may not be good. The final column provides figures for the fully weighted random and quota sample. This confirms that the weighting brings the A2I data in line with the FRS on age and gender.

Table A2: Gender

	2001 Census microdata	FRS 2003-03 unweighted	FRS 2002-03 grossed-up (Dec-02 factor)	A2I (weighted-random + unweighted quota)	A2I fully weighted (random + quota)
Male	48	47	49	43	49
Female	52	53	51	57	51
Base	1,337,610	46,693	46,693	2,008	2,008
	Aged 19+, not communal, GB	Aged 18+, GB	Aged 18+, GB	Aged 18+, GB	Aged 18+, GB

Table A3: Proportion of respondents who have ever inherited items (%)

	Unweighted, both samples	Random, weighted	Weighted random + unweighted quota	Fully weighted (random + quota)
Respondent has ever inherited	48	49	47	46