



A risky strategy? Bank of Mum and Dad gifting lump sums without accounting for future care costs, new research shows

- Six in 10 parents failed to consider potential care costs when gifting cash to adult children.
- More than a third of parents aged 45+ with adult children had gifted at least £5,000.

Six in 10 parents who have handed over large lump sums to adult children did not factor in whether they will be able to afford to cover care costs in later life.

The **Just Group Care Report 2022¹** – the 10th edition of a research series dating back to 2012 – reveals that more than a third (35%) of parents aged 45+ with adult children had gifted at least £5,000 to them to help cover major expense such as weddings, house deposits, to pay for education or to help them through the current cost of living crisis.

Only four in 10 (40%) of those who had made gifts said they had thought about how much later life care may cost them when deciding how much money they could afford to hand over.

“The ‘Bank of Mum and Dad’ cash machine is delivering billions of pounds each year to help finance the house purchases, weddings, education and other major costs of many thousands of young adults each year,” said **Stephen Lowe, group communications director at retirement specialist Just Group.**

“But unlike a traditional lender, that money is usually more of a permanent gift than a loan which risks leaving parents short of funds if they face significant care costs in later life.”

He said that care funding reforms planned for England in October next year, including an £86,000 cap on the amount any individual would be expected to spend on professional care support, were a vital step in helping people plan for care and for delivering more money to the hard-pressed care sector.

“The planned cap is hugely important because it gives people a figure which they will be expected to fund for themselves and a point at which the State will step in to help.

“It doesn’t include all costs – they will still need to meet their own ‘Daily Living Costs’ of food, utility bills, accommodation and so on – but it does allow them to start considering if gifting lump sums now might leave them unable to afford the standard of care they aspire to.

“The cap is also a popular funding model with 55% of over 45s supporting it against 16% disagreeing with the idea.”

The research found that only six in 10 of those making gifts were confident they would have enough money to pay for later life care they might need. Just one in six (16%) were confident their children would be able to help financially with care costs with four in 10 (40%) stating their children would not be able to help.

The Just Group Care Report has become one of the most comprehensive and authoritative reports detailing the feelings of the over-45s towards adult social care and their knowledge of the care system. The research was first carried out in the wake of recommendations made by the Independent Commission on Funding of Care and Support, chaired by economist Andrew Dilnot.

“At that time the system was underfunded and struggling but there was a sense of a new dawn from the commission’s bold proposals. Unfortunately, that led to a decade of false starts and broken promises,” said Stephen Lowe.

“However, there are now once again grounds for optimism with indications from the new Prime Minister that funding will be found and an October 2023 ‘go live’ date for the reforms to be introduced.

“Rather than looking back at the failures of the last decade, we want the 2022 research to become the benchmark against which improvements are measured over the next 10 years.”

Enquiries

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About the research

1: Just Group Care Report 2022 – Social Care: A decade in review:

<https://www.justgroupplc.co.uk/~media/Files/J/JRMS-IR/news-doc/2022/just-1863-10th-anniversary-2022-care-report.pdf>

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