Attitudes to inheritance

A Literature Review and Secondary Analysis of Data

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Contents

List of tables

List of figures

1. Executive Summary

1.1 Background

- The Joseph Rowntree Foundation (JRF) have funded the Universities of Bath and Bristol to carry out a survey of attitudes to inheritance. This paper is the first report from that project and provides information from the literature review and secondary analysis of quantitative and qualitative data.
- The growth of home ownership will, potentially, increase the number of people who will both bequeath and inherit assets.
- The issue of inheritance is linked to the broader social policy issue of wealth inequality. There is much debate about the effects of inheritance on the distribution of wealth.
- One key issue, particularly among young and middle-aged groups, is whether their expectations of inheritance limit their motivation to accumulate assets or whether their plans to bequeath increase their motivation to save money/invest in housing assets.
- Another key issue, particularly among older groups, is how people make trade-offs between saving/maintaining their assets for bequests, using up assets to improve their living standards, using up assets to make lifetime gifts and using up assets to pay for long-term care.
- JRF is particularly interested in people with moderate economic resources, especially low-income owner-occupiers and income poor, asset-rich older people.

1.2 Expectations of inheritance

- There is very little quantitative data on people's attitudes to inheritance but in a survey by Deloitte just over a third (35 per cent) of the public said that children expect to inherit from their parents. A further 46 per cent said that children would prefer their parents to spend their money on themselves.
- Qualitative studies clearly suggest that people are reluctant to count on inheriting assets. Some have general expectations of inheriting assets but prefer to see such inheritances as a bonus rather than something which is guaranteed to happen.
- One reason for low expectations is that the very oldest age groups are not yet predominantly home-owners. The peak age for owner-occupation is 45-64 and so it will be some time before this age group leaves bequests.
- Other reasons for low expectations of inheritance include future insecurity over whether or not the potential inheritance might be used up by the current owner of the assets (for example, to pay for care or other living expenses). There is also some insecurity over who will actually be the beneficiary in any will (particularly in complex families or where the owner is not a parent). There is also insecurity over when the bequeather might die.

- Given the insecurity around expectations of inheritance, it seems unlikely that people's motivations to save or invest for the future will be affected by their expectations but this is something we will explore further in the study.

1.3 Experience of receiving a gift/inheritance

- About 10 per cent of the population has received an inheritance within the last 5 years. Surprisingly perhaps, there is no real difference in receipt by age. But there is a link between receipt of inheritance and social class.
- Of those who have inherited, the amount inherited varies by a range of factors. Older people typically inherit more than younger people. Middle class people inherit more than working class people and owner-occupiers inherit more than tenants.
- Both of the previous points provide evidence that inheritance is increasing the divide between rich and poor.
- Inherited money can be given away, kept/invested or spent (or a combination of these). Qualitative studies suggest that it is most likely to be kept or invested because it is considered to be 'special' money which should not be spent recklessly. Where it is given away this may be to future generations and will be seen to be in line with the testator's wishes.

1.4 Attitudes to leaving bequests/giving gifts

- There is very little evidence that people's motivations to save money or buy property are primarily motivated by a desire to bequeath. But this can be an important subsidiary reason.
- People often have different attitudes to leaving property compared with leaving other types of assets. About two fifths (41 per cent) of the population say they expect to leave property but use up most of their savings. Almost a third (32 per cent) say they expect to leave both property and savings. One in five (21 per cent) say they expect to leave nothing.
- Older people are much more likely than younger people to expect to leave nothing. Perhaps this is because younger people are being unrealistic about their future prospects or because they are more supportive of the principle of inheritance.
- Black and Asian people are more likely than White people to say that they will leave both savings and property.
- There is very little evidence in qualitative studies to support the idea that people 'live poor to die rich' for future generations. Equally, there is little evidence that people are deliberately plan to spend all their (potential) children's inheritance
- Few older people say that they plan to deliberately save or maintain all their assets to pass on to other people. Most say that they wish to preserve their housing assets but will use their savings if needed to maintain a reasonable lifestyle.
- These attitudes are in line with ideas about 'good parenting'. Parents generally want to leave their children something but feel that they

would be over-indulging them if they gave them everything. Moreover, such over-indulgence might prevent their children from developing their own habits of saving and hard work.

- Some older people had made substantial lifetime gifts from their savings because they wanted their children/grandchildren to benefit from their assets at the time when they needed the money rather than wait for it.

1.5 Attitudes to housing assets

- Most people expect to leave their property to their children intact but an important issue is whether this is purely related to a bequest motive or to difficulties releasing equity or to a feeling of inalienable right over their property.
- Some people had, in the past, or were willing, in the future, to trade down by moving to cheaper property and thereby release equity. Equity release schemes, however, were not considered very positively. But, once again, whether this is because of the current nature of the schemes or because of a fundamental opposition to the principle, is not entirely clear.
- There is considerable dislike of the idea that people might be forced to release housing equity to pay for care. This seems partly related to the idea that property is an inalienable right but also related to the idea that care should be provided free by the NHS through direct taxation.

1.6 Will-making and the contents of wills

- The majority of the public have not made a will. For some, this is because they have no assets to leave. For others, they may believe that intestacy legislation will give them the outcome they want anyway. Others may feel that they do not need to make one at this stage in their lives.
- Triggers for making a first will include the death or illness of someone close, family change (divorce or re-marriage) and long-distance air travel.
- Most wills leave money to either a spouse or a child. But the issue is more complicated where people have step-families.

2. Introduction

This paper reports on the first stage of a study funded by the Joseph Rowntree Foundation into attitudes to inheritance. This introduction discusses the aims of this paper and the nature of the data presented in it. The introduction then outlines the key issues in relation to inheritance, assets and wealth inequality. Finally, it considers two important contextual issues: the legal framework of inheritance law and changes in demography and family practices.

2.1 This paper

The Joseph Rowntree Foundation have funded the Universities of Bath and Bristol to carry out a study of people's attitudes to inheritance. This paper reports on the first stage of that study. It includes a review of the literature on inheritance alongside secondary analysis of both quantitative datasets and qualitative transcripts. The main purpose of this stage is to identify issues to be investigated further in both the focus groups and the survey which are to follow.

The quantitative data examined at this stage includes data from two large surveys. The first is the General Household Survey 1995/6 which included a special module of questions about inheritance. The GHS is a major continuous government survey with a sample size of 16,748 adults for the1995/6 survey. This paper also contains data from a survey by Deloitte on attitudes to financial issues. This survey contained a sample of 3173 adults aged 18+ in Britain. The fieldwork had been undertaken by BMRB in February/March 2002 and covered a range of financial issues. This survey was part-funded by the Financial Services Authority alongside a number of commercial companies. The data is not publicly available and we would like to thank Deloitte (and Jackie West in particular) for providing us with a range of variables relevant to this study. We have also analysed the British Household Panel Survey for data on inheritance-related issues.

Alongside secondary analysis of quantitative data we have also re-analysed qualitative transcripts. For example, the JRF-funded study of *Wealth in Britain* contained in-depth interviews with 40 respondents about their attitudes to wealth accumulation and dis-saving (Rowlingson et al 1999). These respondents included men and women at different ages and lifecycle stages. Only those in work or with some assets were included in the study. The interviews took place in August 1997. They are particularly useful here to look at expectations of receiving assets through inheritance and attitudes to running down and/or leaving assets. Another JRF-funded study, about *Future Orientation and Forward Planning,* included 41 in-depth interviews with men and women in all economic situations, ages and lifecycle positions (Rowlingson 2000). The research took place between April and May 1999 and asked people for their views about the future and their attitudes to forward planning. This study is particularly useful to look at whether or not people have made wills and the reasons behind this.

2.2 Have we become a 'nation of inheritors'?

It was the growth of owner-occupation in the 1980s which led Nigel Lawson to say the Britain was *'about to become a nation of inheritors'* (quoted in Holmans 1997: 14). And it is certainly true that owner-occupation has increased dramatically from about 29 per cent of dwellings in 1950. Table 1 shows that 27 per cent of the population now own their homes outright and a further 42 per cent have mortgages. Fifteen per cent rent from a local authority while a further 6 per cent are in other types of social renting. Private renting is mostly confined to the youngest age group (16-24). The peak age for outright ownership is 65-74 while the peak age for home ownership more generally is 45-64.

Table 1 Housing tenure by age

Column percentages

	16-24	25-44	45-64	65-74	75+	All
Own outright	1	4	31	64	56	27
Have mortgage	22	62	49	9	3	42
Council renting	19	14	11	17	26	15
Other social renting	11	6	4	6	8	6
Private renting	47	14	5	4	7	10

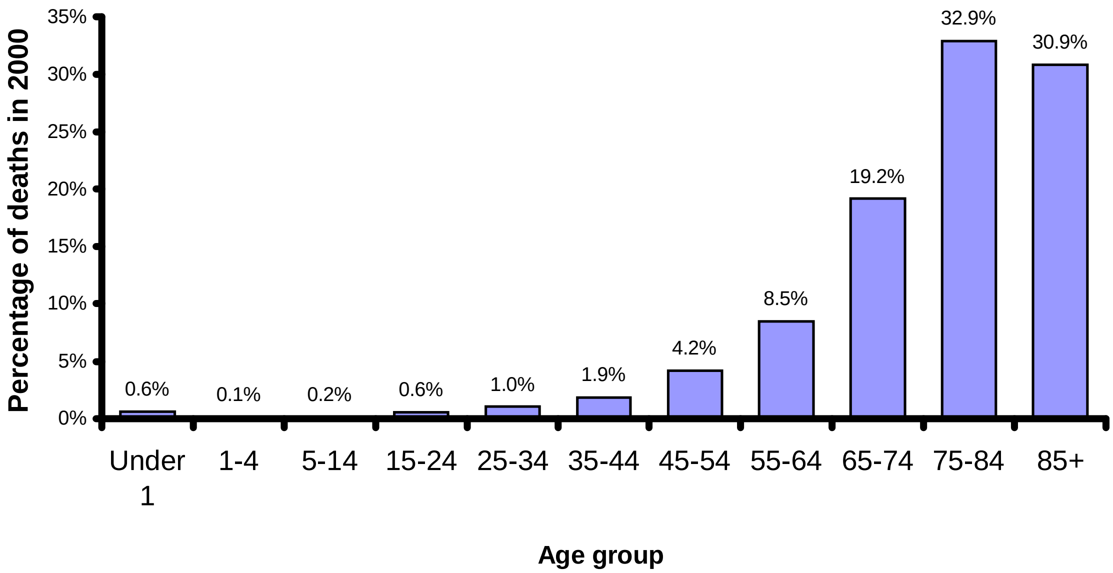
Source: Social Trends (2001) Office for National Statistics

So there has certainly been a widening of the distribution of asset-ownership. But, contrary to expectations, this has not led to an upsurge in housing inheritance. Holmans (1997) found that in 1968-9, the Inland Revenue recorded 125,00 estates which included housing assets. This number increased to 149,592 in 1969-70 but then fluctuated year on year with the number in 1992-3 recorded as being 142,446. Hamnett (1997) concludes from this that: *'there has been no increase in the scale of housing inheritance over the last 25 years'*. These figures only relate to the number of estates including housing property. They do not tell us how much such estates are worth. Hamnett (1997) estimates that the value of housing in estates increased from £465 million in 1968-9 to a peak of £9.46 billion in 1989-90. House prices fell in the early 1990s but since then there has been a revival in prices and so the value of housing in estates is likely to have increased again.

So the value of housing in estates has increased but the number of estates has not. The question therefore arises as to why Britain has not (yet?) become a nation of inheritors? Two main explanations have been put forward.

The first explanation suggests that the cohort of people who swelled the ranks of growth of owner-occupation in the 1980s are not yet old enough to die and pass on their wealth to future generations. Hamnett (1997) brushes this explanation aside, arguing that owner-occupation is high among people in their 70s and 80s. But, as table 1 shows, those aged 75 plus have the lowest rates of owner-occupation of all age groups except those under 25. And figure 1 shows that most people who died in 2000 were 75 plus. Life expectancy is such that people do not leave bequests until they are in their late 70s or 80s or even older than that. So the cohort of new home-owners from the 1980s have some time to go before they become the cohort of new bequeathers.

Figure 1 Age at death in 2000



But perhaps the reason that owner-occupation is low among the over 75s is that they had to sell their homes and move into rented accommodation in order to pay for residential care or to increase their living standards in later life. This takes us to the next possible explanation and this is the one that Hamnett (1997) appears to support most. Hamnett (1997) points to the enormous growth of private residential care in Britain in the last two decades. From 1986 to 1991, the number of private residential and nursing home places doubled from 140,000 to 286,000. The number of voluntary places. Holmans (1991) estimated that 30,000 older owner-occupiers households were dissolved in 1990 through moves to live with relatives or into institutions. He concludes, therefore, that large numbers of people are moving into care and so, under the current English and Welsh system, having to release housing assets to pay for care. He also suggests, however, that some people might be transferring their house into their children's names prior to death or sold while the owner is in good health to avoid having to pay for care.

Some people may sell their homes to release equity in order to raise their living standards. Research has found that half of those in poverty are home-owners (Burrows 2003) and owner-occupation is not always in the best financial interests of some people (Hancock et al 1999). This suggests that some home-owners might move into rented accommodation to improve their standard of living in later life, especially with disappointing levels of state and private pensions (Gay 2004).

Hamnett (1997) concludes that: *'the assumption that most home-owners remain owners until they die is no longer valid.'*

Holmans (1997b: ix) took account of increasing longevity and use of long-term care when he concluded that although there would be a substantial increase in the number of people receiving inheritances, *'not much more than one half of all non-married men and women even a quarter of a century hence will leave owner-occupied house property'*. He felt that this did not justify referring to Britain as a 'nation of inheritors.

But, in more recent years, the use of long-term care appears to have decreased. Darton and others (2003) have shown that the late 1990s saw a crisis in long-term care provision as demand for care increased but supply actually declined. For example, the number of care homes fell from just over 17,000 in 1996 to just over 14,000 in 2001. At the same time, fewer people were receiving home-based services. So perhaps the trends witnessed by Holmans and Hamnett in the early 1990s have not continued and more people will remain home-owners until they die.

2.3 Inheritance, housing assets and wealth inequality

Social scientists were not particularly accurate in their predictions about the spread of inheritance. What about their debates about the *effects* of inheritance on the distribution of wealth?

Within economics, there has been a long tradition of estimating the effect of bequests on the transmission of inequality. Early studies analysed the values of the estates of fathers and sons. Wedgwood (1929) estimated that one third of the wealthy owed their position entirely to inheritance. Harbury and Hitchens (1979) found that 67 per cent of the variance in a son's estate was explained by the variance in a father's estate. But these studies do not prove that inherited wealth is a direct source of inequality because wealthy fathers may pass on other advantages in life which account for their sons' later wealth. Nevertheless, theoretical models by Wilhelm (1997) and empirical work by Menchik (1979) support the conclusion that inheritance is a source of inequality. Other studies (eg Atkinson 1971) have also found that a pure lifecycle model (that is, with no bequests) is unable to explain the upper tail of the wealth distribution. Hence bequests appear to increase inequality.

Some economists, however, have argued that intergenerational transfers have an equalising effect on the wealth distribution (see, for example, Stiglitz 1969). But a number of these simulation studies make dubious assumptions. For example, Becker and Tomes (1979) assume that parents leave more money to poorer children than to better-off children. It is therefore no surprise that they find that bequests have an equalising effect both between generations and between siblings. But there is no empirical basis for such an assumption. Another common assumption made by economists in this field concerns the absence of assortative mating. Laitner (1979a,b) for example, assumes that rich people are just as likely to partner poor people as other rich people and this, not surprisingly perhaps, accounts for his finding that inheritance is equalising.

More recent studies have utilised more complex simulation models and so have included assumptions such as assortative mating but some dubious assumptions nevertheless remain. For example, Gokhale and others (2001) assume that death is distributed randomly within the population even though it is well known that there are profound socio-economic inequalities in mortality rates (Acheson 1998). Nevertheless, the study by Gokhale and others (2001) is perhaps the most sophisticated and empirically-grounded simulation model to date. They conclude (2001: 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.'*

So economists are divided about the effect of inheritance on wealth inequality. There are similar divisions within the fields of sociology and social policy. Saunders (1986:158) was perhaps the most optimistic about the possibility of wealth cascading down to 'working people' through inheritance. He concluded that *'we are approaching the point where millions of working people stand at some point in their lives to inherit capital sums far in excess of anything they could hope to save through earnings from employment.'* But others were more pessimistic. Forrest and Murie (1989) and Forrest and others (1990) accepted that more people might receive something but pointed to the highly differentiated housing market to argue that the value of inheritance would vary greatly. They concluded that even if some working class people received an inheritance it would be a very small one.

Hamnett (1991) took a position somewhere between these two. He argued that wealth inequality had reduced somewhat due to the growth of owner-occupation: *'The distribution of wealth has been widened as more people own a substantial capital asset'* (1991: 510). He further argued that inheritance of housing wealth would enable this wealth to trickle down to future generations thus contributing to an even wider distribution of wealth. But he also noted that the bottom 30 per cent or so of the population were excluded from this wealth and were likely to continue to be excluded. And he carried out a survey in 1988 which demonstrated that *housing inheritance is strongly class and tenure related … these reflect, rather than reduce, existing patterns of power, privilege and inequality.'* He concluded that there had been some redistribution of wealth among the top 50 per cent of the population (that is, from the very wealthiest to the merely affluent).

The survey that Hamnett (1991) reported on took place in 1988 and included 3,100 adults 18 plus. According to this survey, 9 per cent had received a housing inheritance at some time in their lives. But those from the professional/, managerial social classes were much more likely to have inherited (16-17 per cent) than those in semi- or unskilled manual social classes (4-5 per cent).

With the housing crash of the early 1990s, research on housing wealth and inheritance became rather scarce. But with the recovery of the housing market in the late 1990s and the stock market crash of the early 2000s (affecting other types of assets), interest in assets and inheritance has revived. Szydlik (2004) argues that strong support for the concept of family solidarity through inheritance will cause greater inequality in society. He puts forward the following points to support his argument:

- Wealthier people often partner other people from wealthy backgrounds (assortative mating) and so have double the chance of inheriting
- Wealthier people have fewer children and so do not have to split their wealth among so many people.
- Wealthier people are more likely to be childless and so might bequeath to nephews and nieces, increasing the chances of some wealth people inheriting still further

He analyses the 1996 German Ageing Survey and finds that: *'Those who do not have anything generally do not receive anything … the wealthy receive even more wealth, the prosperous become rich, the rich even richer.'* (2004:42).

Wolff (2002) used data from the US Survey of Consumer Finances to analyse inheritances and wealth inequality in the US from 1989-1998. 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 (2002:263) *'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, that poor people tend to spend their small inheritances while rich people are able to add them to their current stock of assets.

There is much debate in this field, but, with a few exceptions (such as Hamnett's survey mentioned above and Future Foundation's (2002) analysis of Inland Revenue and British Household Panel Survey data), rather little empirical evidence. This is because valid data on inheritance is scarce. Our analysis (reported below) presents findings, for the first time, from two large quantitative datasets which can be used to explore the links between receipts of inheritance and social class.

But actual receipt of inheritance only tells us part of the story. As Szydlik (2004) argues, the link between inheritance and inequality will be affected by people's attitudes. Most studies in this field either ignore people's attitudes to bequests or make dubious assumptions about such attitudes. For example, it is standard practice in economics to assume that people take a purely lifecycle approach to their assets and plan to use all of their assets in their lifetime. Any bequests left are therefore treated as 'unintended'. As Gokhale and others (2001: 94) explain, they assume that: *'agents have lifecycle preferences, meaning they have no bequest motive per se.'* But other economists (eg Bernheim et al 1993; Wilhelm 1996) have included bequest motives in their modelling, including the strategic bequest motive and altruism. And while there have been no quantitative studies of attitudes to inheritance, sociologists have carried out qualitative studies in this field (Finch and Mason 2000; Finch and others 1996).

Our analysis of both quantitative and qualitative data enables us to examine the extent to which people support the concept of inheritance. Do some people 'live poor to die rich' so that they can pass on their assets? Or, on the contrary, do some people try to make the most of any assets they have in later life and enjoy their retirement (the so-called SKIers – spending their kids' inheritance). Or perhaps, some people are actually somewhere between these two extremes, hoping to leave something but not going without in order to do so. Crucially, how do these attitudes vary by socio-economic background? If very wealthy people are more supportive of the concept of inheritance than less wealthy people then inequality will increase. Conversely, if wealthy people are determined to use up all their assets while less wealthy people preserve them, then inequality may be reduced. And are attitudes to inheritance changing over time? Media reports increasingly suggest that people are turning away from traditional values of thrift and financial altruism in favour of 'spending the kids' inheritance'. But is this a fair reflection of people's attitudes today?

2.4 Overview of data on attitudes to inheritance

We can only answer these, and other, questions about inheritance through investigating people's attitudes and behaviour in relation to both receiving an inheritance and leaving bequests.

Little is currently known about attitudes to wealth and inheritance. A JRF-funded review by Hancock et al (2002) concluded that there is very little data on what people's attitudes are and whether or not these attitudes are changing. This study will explore people's expectations of receiving any inheritance, and whether this affects their behaviour. It will also explore people's attitudes to leaving bequests and whether this affects their behaviour. For example, will they use their assets to fund a higher standard of living than they might otherwise enjoy? Will they use their assets to pay for long-term care? Or will they try to preserve their assets to pass them on to their next of kin? Will they treat different kinds of assets differently? And how well-informed do they feel about making such major decisions?

A related issue is lifetime (inter vivos) gifts. To what extent are these made? Perhaps people give money during their lifetimes to avoid inheritance tax or to ensure that their children, or perhaps grandchildren, have money at the time when they need it (eg when going through university or when putting a deposit down on a property or when having a baby). How do these gifts interact with inheritance? Perhaps potential bequeathers feel they have dispensed with their duty to bequeath if they have made substantial lifetime gifts. Or perhaps people who make substantial gifts are the type of people who strongly support the notion of giving assets to the next generation.

2.5 Inland Revenue Statistics on estates

Despite a lack of quantitative evidence on people's attitudes to inheritance, there are some statistics about inheritance practices. For example, Inland Revenue statistics suggest that bequests are already quite common. In 1998-9, 43 per cent of those dying left an estate, with a mean value of £108,000 and a median of £60,000 (Inland Revenue Statistics). Just over half of all estates (56 per cent) included property and this amounted to 38 per cent of the value of all assets left in those estates. The mean value of property left was £72,000 with a median of between £80,000 and £100,000.

Before assessing other evidence about inheritance it is helpful to consider the nature of the law in relation to bequests and also the broad demographic context within which bequests take place.

2.6 Legal framework

English law (applying to England and Wales but not Scotland) allows people a very large degree of 'testamentary freedom'. Until 1938, testators could decide to leave their assets to whomever they wished but this freedom was modified by the Inheritance (Family Provision) Act 1938 which gave spouses and dependent children some rights 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 said that this was not necessary because of new proposals for joint ownership of homes (whereby property would pass automatically to a spouse 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 legislation was introduced because the law at that time treated sons and daughters differently and the definition of dependent was seen as too narrow. The Inheritance (Provision for Family and Dependants) Act 1975 was therefore brought in and allows dependents to claim against an estate if they have not been adequately provided for. However, relatively few claims are made under this legislation, suggesting that will-making behaviour is in line with legal norms (Finch et al 1996). As we shall see later in this paper, testators do tend to leave their estates to their spouses and their children.

But only a minority of those who die leave a will. Finch et al (1996: 32) estimate that this figure is about a third, but this probably covers the majority of wealth that is left. Nevertheless some people with substantial assets do not make a will and therefore 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 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 1980s it was argued that the spouse should receive all the estate but this was not introduced and currently any surviving spouse shares the inheritance with any surviving children (see Finch et al 1996).

In Scotland, surviving spouses have prior and legal rights out of the deceased's estate according to the Succession (Scotland) Act 1964. Prior right are distributed first out of the deceased's estate and include rights to the deceased's interest in the dwelling-house which the deceased and surviving spouse formerly shared, and 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. 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.

Similar 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. The proportion of all formally-administered estates subject to inheritance tax declined from 25% in 1959 to 16% in 1989, and the proportion on which tax is levied is only 9% (because inheritance by spouse is exempted). There has been a decline in proportion of tax revenue from inheritance tax from 7.5% in 1969/70 to 1.6% in 1989/90 (Finch et al 1996). Currently (from April 2004), estates are only subject to inheritance tax if they involve assets totalling £263,000 or more. Given increases in owner-occupation and house prices it is surprising therefore that Inland Revenue figures show that 96 per cent of estates do not have to pay any tax because they are below the threshold (Inland Revenue 2003).

If estates are over the threshold then any amount left above £263,000 is then taxed at a rate of 40 per cent. 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.

Despite the fact that very few estates incur inheritance tax, it is a very unpopular tax. According to a survey by Hedges and Bromley (2001) half of the population think that no inheritances should be taxed. Younger people, perhaps those with most at stake in terms of potentially receiving an inheritance, are most opposed to the tax. More surprising, perhaps, is that those in unskilled and semi-skilled manual working classes (with least to leave and/or inherit) are more opposed to inheritance tax than those in the professional and managerial classes.

Inheritance tax is one of the most unpopular taxes in the Chancellor's portfolio. It also fails to bite at the assets of the very wealthy who are able to find tax loop-holes around it. As a result of this, the Fabian Society has called for a new form of wealth taxation to replace inheritance tax (Fabian Society 2003). It argues for a change in policy so that the *recipient* of any inheritance is taxed rather than the estate of the deceased.

2.7 Demographic and family change

Changes in demographic patterns and family practices have major implications for inheritance. People are having fewer children – some are having none at all. In line with this, there appears to have been a small fall in having living adult children to whom bequests might be left. According to the General Household Survey, In 1995, the percentage of single people aged 75 or more *without* adult children (including step-children) was only 20 per cent. Even by 1998/9 the figure had risen to about 24 per cent. So almost a quarter of that group had no adult children (Hancock et al 2002). Who will these people leave their assets to, if they have any?

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 children at later ages). This affects the age at which people might inherit any assets. For example, an adult child born in 1946 from a statistically typical family can now expect to inherit from his or her parents at the age of 56. Those born in 1891 would have been 37 when they inherited (Anderson 1985).

The growth in divorce, lone parenthood, remarriage and step-families have created more complex family relationships and forms (Rowlingson 2001). This will also affect decisions about who receives any 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 but also 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 bequests in both countries and nursing care is most often provided by relatives in both countries. But Izuhara notes that changes are occurring in Japan which 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: 75) concludes that '*the generational contract is becoming ambiguous and fragmented.'*

The UK is also 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 inter-generational 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 because even though Black people were more supportive of the concept of inheritance, their lack of assets, compared with Whites, put them at a massive disadvantage in terms of the distribution of wealth and the way it moves down generations. They call for the policy focus on earnings disparities between whites and blacks to shift towards policies to redress wealth disparities.

Szydlik (2004) argues that support within society for intergenerational solidarity through inheritance is at odds with support for greater socio-economic equality. Szydlik goes further, arguing 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 likely to work and so accumulate more assets during their lifetime (the dual earner-no earner divide is very strong in the UK). 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.

Related to changes in family relationships and forms is the issues of care for older people and who might provide it (eg children, care at home, residential care). To what extent are attitudes changing here and how does this relate, if at all, to attitudes and practices in relation to inheritance? Do people give a greater share of their assets to people who have provided care for them? Do people give care in order to receive more? Are people reluctant to pay for care because they wish to preserve their children's inheritance?

3. Expectations of inheritance

This section presents analysis of the Deloitte survey of attitudes to financial issues and analysis of transcripts from qualitative studies to explore what is currently known about people's expectations of inheritance. In particular, we discuss the extent to which people's behaviour is affected by any expectations.

3.1 Analysis of Deloitte survey data

There is very little quantitative data on people's expectations of receiving inheritance. However, the Deloitte survey of attitudes to financial issues (2002) asked respondents a general question in this area, as follows:

Q Which of the following statements do you think best describes your attitude or the attitude of younger generations in your family to receiving an inheritance?

- These days children expect to inherit money from their parents
- These days children would rather their parents spent their money than try to leave an inheritance
- These days children don't need to inherit from parents
- Don't know

This is a rather ambiguous question as it asks for either your view or your perception of the view of younger generations. Furthermore, the statements listed are not mutually exclusive and someone could, without contradiction, agree with all of them. The question is, in effect, therefore asking people to select the view they agree with most. And it is confined to expectations of receiving *money* rather than explicitly including property in the question.

Overall, the most common answer was for people to say that children prefer their parents to spend the money on themselves (46 per cent – see Table 2). But over a third said that they (or younger generations in their family) expect to inherit money from their parents. There was a strong correlation with age as younger people were much more likely to expect an inheritance than older people. Related to this, younger people were much less likely than older people to say that parents should spend the money on themselves. About one respondent in ten said that children did not need to inherit money from their parents and this did not vary much by age (except for the 70 plus age group who were much more likely than others to say this).

Table 2 Expectations of inheriting money by age

Column percentages

	Age group						
	18-29	30-39	40-49	50-59	60-69	70+	Total
Children expect to inherit money from their parents	45	38	39	32	24	25	35
Children would prefer their parents spent their money on themselves	37	40	42	53	61	48	46
Children don't need to inherit from their parents	12	12	12	10	12	18	12
Don't know	6	10	7	6	3	9	7
Base	604	610	539	494	516	450	3159

Source: Deloitte survey of attitudes to financial issues (2002)

The relationship between this attitude and age is interesting and suggests that younger people's expectations are not shared by older people.

There was also a statistically significant relationship between attitudes on this issue and household type: people with dependent children took a rather different view from those without dependent children (see Table 3). Those with dependent children were more likely to say that they – or their children – expected to inherit money. Couples without children were much more likely than other groups to say that children felt their parents should spend their money on themselves.

Table 3 Expectations of inheriting money by household type

Column percentages

	Household type				
	Single, no children	Single , with children	Couple, no children	Couple, with children	Total
Children expect to inherit money from their parents	36	44	27	42	35
Children would prefer their parents spent their money on themselves	42	37	55	40	46
Children don't need to inherit from their parents	14	12	12	10	12
Don't know	7	8	6	7	7
Total	952	242	1189	787	3170

Source: Deloitte survey of attitudes to financial issues (2002)

There were few other significant variables in the dataset though Black and Asian people seemed to have higher expectations of inheritance than White people. Interestingly, outright owners were more likely than others to say that parents should spend the money on themselves (though perhaps they were expecting their home to be left as an inheritance).

Women are likely to be a key group in relation to inheritance as they are most likely to out-live their spouse and therefore control the passing of property to the next generation. We might hypothesise that the different roles played by women in relation to both the social and economic spheres (most notably in relation to the family and the labour market) might affect their attitudes to inheritance. And we already know that there are gender differences on some financial attitudes, for example, women say they are much more risk averse when it comes to savings and investments.

However, the analysis of the Deloitte data showed remarkably few differences between men and women in relation to inheritance. For example, there was no statistically significant difference between men and women in terms of their attitudes to leaving an inheritance. They were equally likely, as men, to say that they would leave savings and property or just property or nothing at all.

3.2 Analysis of qualitative transcripts and literature

The question in the Deloitte survey was rather limited and, in particular, it did not record if some people had no expectations of inheritance. However, it is clear from the qualitative analysis carried out for this paper, that there are many people who do not expect any inheritance. Some of these people will be poor themselves and come from poor families. But some may be 'first-generation asset-holders', coming from families with relatively little. Jane was in this situation:

'None of our family has got ought. We're … all sort of down working class, all in council property. I think I'm the only one, except my brother in Australia that's got their own property.'

This suggests, as mentioned in the introduction, that the growth of home ownership might take some time to work its way through to significant levels of inheritance, particularly for those from poorer backgrounds. Even where people said that they might receive something from their parents they thought that this would be some time off because of the long life expectancy of older generations.

A key question for this study is whether expectations of inheritance affect behaviour in any way. Perhaps those who expect an inheritance make less effort to save or work hard because they believe that they will receive money in the future through inheritance. But even among those who had some expectations of inheritance, virtually all of them said that this would not affect their own plans for a number of reasons. For example, people said that any inheritance could not be guaranteed and might happen at a time when they were no longer in need of additional financial support. Also, people saw no guarantee that they would get any money as the relative might spend it all or it might go to fund residential care. The testator could also decide to give their assets away to another person or to a charity and so, again, there was no guarantee that they would receive it.

Chloe was 27 and said that she expected to receive some inheritance but she was not banking on it and so was also keen to make her own financial provisions:

'by the time that event happens [ie parents die] we ought to be, we should be, comfortable enough to rely on what provisions we've made for.'

Simon was 24 and said that he expected to receive some money from his parents in the future but that he did not consider it would be much: *'Probably just my parents' house which would be divided between myself and my sister so not a great deal.'* He said that this did not affect his financial plans at all.

Louise was 35 and said that her parents owned a house which she might expect to receive some inheritance from, but not for some time:

'Well the women in my family, they live to a long age. I've got one grandma in her nineties and the other one did, she just made it to ninety … so there might not be much left for me. And I've got brothers and sisters as well. So what I would get wouldn't be a great deal anyway.'

Barbara was 58 and said that she did expect some money from a childless aunt but that this did not affect her own financial planning because the inheritance could not be guaranteed:

'I've got an elderly aunt and uncle who I'm their god-daughter, and they've never had any children … And she inherited quite a bit of money a few years ago, oh 30 years ago, which some of it will come to me, that I do know, yes … I've got no idea [how much] but I know she's quite a wealthy lady. She'll have a house to sell which is in the Surrey stock belt area so she will have quite a bit of money …It's never stopped me saving because people have said to me, 'knowing that you're going to get some money in future years …' because I mean she's 85 now, 'why do you save money?' But there's always a possibility that they might change their minds. You can't sort of guarantee that it's going to be left you … as people get older you just don't know.'

Chris's view was quite common:

'You don't know what's going to happen, do you? You don't ask, 'are you going to leave me something when you go?' You've got to look after yourself basically, haven't you, make sure you're comfortable, anything else is a bonus.'

Jack took a similar approach: *'I don't count any chickens until they are hatched.'*

So far, it seems that people were reluctant to assume that they would definitely receive any inheritance. Having said that, some people seemed more sure about their expectations. Pete was 46 and was married for the second time. He had three children and was a coach driver living in a council house. He had made various calculations in relation to expected inheritance:

'It sounds selfish, it's inevitable it's going to happen, but there's my mother, (my wife's) mother and father will pass on. (My wife's) mum and dad are comfortable and she's an only child and I've got my sister on my side, so there will be a little bit from my mother's estate. (My wife) would fare better out of her parents.'

Pete's mother was 88 and while he did not have a particular notion about when he might receive some inheritance from her he had thought that he would use any money to buy his council house.

Frank was a 45 year-old lorry driver who was married with two pre-school age children. He said that his uncle had just died and he was expecting to inherit a few thousand pounds from him:

'My uncle's just died, there's a lot of the records there which I've got to go through, which might or might not be worth a few bob. I'm entitled to a seventh of his estate, whatever that's worth. His house is probably worth about £15,000 so there's at least £2,000, plus what he's got in the bank, which I don't know – which nobody knows. So you might say I've got £3,000 coming in in the next few months.'

Frank also said that he expected to inherit some money when his mother died:

'When my mother dies, she's getting on a bit now, so she's going to die in the next 10 years probably, God forbid, but she probably will. I've got a third share in her house. Yes, I'm coming into some money soon. And then I'm going to win the Lottery on Wednesday, I wish!'

As mentioned in the introduction to this paper, the growth of divorce and re-partnering have probably had major impacts on people's expectations of inheritance and this is clear in this response from the qualitative research:

'There's a possibility we may get something from my husband's father … Can't say for certain though because he's actually remarried since my husband's mother died so, you know, there's no definite, there's no guarantees. Whilst he was a single man then we knew for certain that that side of the will was written. Since he's married it may have changed.'

This section has considered, and to a large degree rejected, the notion that expectations of inheritance affect economic behaviour in a significant way. But even if the direct link between expectations and financial behaviour is weak, there may also be a link between attitudes towards receiving an inheritance and other types of behaviour. For example, Bernheim et al (1993) found that testators (successfully) use bequests to influence the behaviour of potential beneficiaries in either overt or subtle ways. And perhaps people who provide care to older parents expect to receive an inheritance partly as a reward for their care work. Perhaps some people even decide to give care in order to receive an inheritance. Evidence for such a link between care and inheritance is rather weak. Finch and Mason (2000) and Finch et al (1996) found very little evidence of this and Caputo's (2002) US study also found that inheritance-related factors added no explanatory power to other factors influencing the likelihood of adult daughters providing personal care or doing household chores for their ageing parents. However, inheritance-related factors did increase the likelihood of providing *financial* assistance to older relatives beyond that of other factors. Caputo (2002) suggests that self-interest is of primary importance in relation to money transactions but not in relation to provision of care.

4. Experience of receiving a gift/inheritance

This section reviews evidence on the experience of receiving a lifetime gift or an inheritance. It begins with analysis of quantitative data to see how widespread such experiences are, how much money is received, and who is most likely to receive it. It then reviews some of the literature in this field, particularly in relation to what people do with inheritance. Finally, it presents analysis of qualitative transcripts which give some examples of people's experiences.

4.1 Analysis of quantitative data

The General Household Survey 1995 showed that about 10 per cent of respondents aged 16 or over had inherited from someone other than a spouse in the past 10 years (Hancock et al 2002). Our own analysis suggests that these people consituted 14 per cent of household. Hamnett (1991) placed questions on NOP's Omnibus survey in 1988 and found that 15 per cent of respondents lived in households that had received a bequest of at least £1,000 at some point in the past.

The British Household Panel Study (BHPS) has also asked questions on these issues and we have carried out some analysis of the data from 2001. This shows us that 2.5 per cent of the sample had received an inheritance *in the last year*. The median amount inherited was £5,000 with a mean of £24,500. The groups most likely to receive an inheritance included those in their 50s, though the differences by age were not as great as might be expected. Those in social housing and those without educational qualifications were much less likely than average to have received an inheritance. Table 4 analyses receipt of inheritance over a 5 year period. The peak age for receipt of an inheritance is 50-59. But there is relatively little variation in age and those in their 20s are just as likely to inherit as those in their 30s, 40s or 60s.

Table 4 Receipt of any inheritance *between 1997-2001* by age

Column percentages

	20-29	30-39	40-49	50-59	60-69	70+
Received	10.1	10.2	11.0	14.7	10.3	6.1
Not received	89.9	89.8	89.0	85.3	89.7	93.9
Sample size	1155	1654	1546	1408	941	1304

Source: own analysis of the BHPS

Data from the Deloitte survey of attitudes to financial issues found that five per cent of the population said that they had inherited some *money* in the last year[1]. Once again there was no statistically significant relationship between age and whether or not any money had been inherited. Nor was there a

[1] The exact question was: 'have you ever personally received any money as an inheritance in the last year?'

statistically significant relationship with household status, tenure or ethnicity. But, as with Hamnett's (1991) survey, there was a statistically significant relationship between inheritance of money and social class. People from the middle classes were twice as likely to inherit as those from the working classes (see Table 5). This seems to suggest an increasing divide between the haves and the have-nots.

Table 5 Have you ever inherited any *money* in the last year?

Column percentages

	Social Class				
	AB	C1	C2	DE	Total
Yes	8	6	3	4	5
No	92	94	97	96	95
Don't know	*	0	0	0	*
Total	897	875	592	809	3173

Source: Deloitte survey of attitudes to financial issues (2002)

Of those who had inherited money, the amount varied substantially as follows:

£1-1,000	19
£1,001-5,000	29
£5,001-25,000	18
£25,001-100,000	14
£100,001-1,000,000	17
Don't know	13

So about half of all those who inherited money in the last year received less than £5,000. About one in five received between £5,000 and £25,000. A further 14 per cent received between £25,000 and £100,000. And 17 per cent received between £100,000 and £1 million.

Once again, the link between social class and inheritance was an important one but the numbers in some cells were rather small so we need to be cautious about generalising. Having said that, no-one from the working classes (C2DE) inherited more than £100,000 compared with one in four of those from the social class AB (see Table 6). Over one in ten of those in social class AB who inherited money last year received at least £100,000.

Table 6 How much inherited in the last year by social class

Column percentages

	Social Class				
	AB	C1	C2	DE	Total
£1-1,000	14	17	11	33	19
£1,001-5,000	25	33	33	28	29
£5,001-25,000	25	14	22	13	18
£25,001-100,000	13	14	22	13	14
£100,001-1,000,000	13	6	0	0	7
Don't know	11	17	11	13	13
Total	62	51	16	30	159

Source: Deloitte survey of attitudes to financial issues (2002)

Housing tenure was also an important variable in relation to the amount of money inherited (see Table 7). Outright owners and those with mortgages received far more than those in rented accommodation. But sample sizes for some groups were very small here.

Table 7 How much inherited in the last year by housing tenure

Column percentages

	Housing tenure					
	Own outright	Have a mortgage	Social renting	Private renting	Other	Total
£1-1,000	5	12	46	40	43	19
£1,001-5,000	29	33	27	13	36	29
£5,001-25,000	21	19	14	0	21	17
£25,001-100,000	22	14	9	7	0	14
£100,001-1,000,000	10	7	0	0	0	6
Don't know	12	16	5	40	0	14
Total	60	60	15	12	12	159

Source: Deloitte survey of attitudes to financial issues (2002)

Other variables, such as age and ethnicity, were not statistically significant. Similarly, there were also no real differences in terms of whether or not money or property had been inherited by men and women. And where inheritances had been received women received about the same amount from bequests as men.

In the Deloitte survey, people were also asked if they had *ever* inherited any *property*[2]. Seven per cent said they had. This is very similar (slightly less) than the 9 per cent reported by Hamnett (1991) from his 1988 survey. So there is no evidence here of increasing receipts of inheritance – though the questions are different and so the findings are not directly comparable. Hamnett (1991) also found a link between receipt of property and social class. The Deloitte survey finds a very similar relationship – once again, there is no evidence that more working class people are inheriting property as the 1988 survey found 4-5 per cent of semi or unskilled manual workers inheriting property and the results for the 2002 Deloitte survey are very similar (4 per cent of DEs had inherited property in 2002).

In the Deloitte survey, people were asked what they had done with inherited property and the majority (62 per cent) said they had sold it. About a quarter (24 per cent) said that they now lived in it as their main residence and 7 per cent said that another family member lived in it. A further 7 per cent said that they rent it out.

Questions about inheritance have been asked in different ways in different surveys. The 1995/6 General Household Survey asked questions about all types of inheritance over £1,000. The data from this also showed a clear link between receipt of inheritance and social class. Almost one respondent in ten

[2] The exact question was: 'have you ever inherited any property?'

(9.4 per cent) said that they had *received an inheritance of at least £1,000 at some point in the last 10 years*. Respondents in social class I were much more likely to have inherited compared with those in social class V (16 per cent compared with 4 per cent) – see table 8. Analysis of the BHPS by Future Foundation (2002) also shows a link between inheritance and social class.

Table 8 Have you received an inheritance valued at more than £1,000 in the last 10 years?

Column percentages

	Social Class of Head of Household						
	I	II	IIIN	IIIM	IV	V	Total
Yes	16	13	11	7	6	4	9
No	84	87	89	93	94	96	91
Total	1150	4668	2256	4808	2613	879	16477

Source: General Household Survey (1995/6)

But as Forrest and Murie (1989) argue, it is important to look at the value of inheritances rather than just their incidience. The GHS data shows a clear link between the amount inherited and social class. Of those who had ever inherited, the average (mean) inheritance was £100,600 for those in social class I compared with £12,400 for those in social class V (see table 9). One respondent reported inheriting a total of £9.6 million across a range of occasions and although it might seem tempting to exclude this 'outlier' from the analysis, it serves to remind us that the distribution of wealth (and hence also of inheritance) is highly skewed at the top end. What is more surprising than the amount inherited is that this respondent took part in the study and gave details of the inheritance. Surveys tend to have high non-response and item non-response from wealthier groups.

Table 9 Mean inheritance of all inheritances more than £1,000 in the last 10 years (£)

Column percentages

	Social Class of Head of Household						
	I	II	IIIN	IIIM	IV	V	Total
Mean	100,600	21,900	20,000	14,700	17,000	12,400	25,800
Total	119	536	386	203	188	43	1480

Source: General Household Survey (1995/6)

So far in this section we have concentrated on inheritance but the issue of inter vivos (lifetime) gifts is also important and inter-twining. McGlone et al (1996) analysed data from the British Social Attitudes Survey which had asked people whether or not they had *received* a loan/gift of at least £100 from a relative or friend in the past five years. Almost a third (31 per cent) said that they had. Around the same proportion said that they had *given* such help. The beneficiary of help was most likely to be a son or daughter. Of those who had received help, 59 per cent had received it from a parent or parent-in-law. The survey found that non-manual workers were more likely to have lent or given money to people, possibly due to their greater financial resources.

4.2 Literature review

The last section of this paper argued that expectations of inheritance do not affect behaviour but behaviour might be affected once an inheritance or windfall is actually received. There is no evidence currently available in relation to inheritance but there may be some similarities between receiving an inheritance and receiving a windfall, for example, through the lottery. Research with lottery winners (MORI 1999) suggests that those with modest winnings tend to pay off their mortgage, go on holiday and throw a party. Even if they win £200,000, few appear to give up jobs or make major changes to their lives. Those who become millionaires are much more likely to leave their jobs (about two thirds do so).

So far, this paper has considered inheritance in terms of cash or property. But Finch and Mason (2000) found that, when questioned about receipt of a bequest, most people talked about items of personal property that they had received such as jewellery and watches. Aries (1983) argues that the ‘cult of the tomb’ has been replaced by the ‘cult of memory in the home’ as death has moved from being a public to a private event. Keepsakes confirm individual identities and are carriers of memory. They appear to be more important to women than men on the whole. They demonstrate the personal and relational nature of inheritance on both sides as the donor typically selects the recipient and may make conscious distinction between different people in a way that does not occur with money. Also, the recipient makes conscious choices about what to do with the item and usually keeps it in commemoration of the donor. This, according to Finch and Mason (2000) is therefore an active and relational form of inheritance practice.

As argued in this paper, and in line with Finch and Mason (2000), inherited money is generally seen as a bonus not an expectation. 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/expected.

Keeping/investing seems to be the most popular outcome, according to Finch and Mason (2000) 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. The relationship to the testator is prolonged.

Finch and Mason (2000) identify four ways in which inherited money might be spent. It is very unusual, it seems, for inherited money to go on 'routine spending' but this can occur in response to economic need. Sometimes inherited money is spent on 'opportunity spending' to buy something unusual. This is in line with the idea that inheritance is a bonus and not an expectation. Also in line with this idea is the practice of 'reckless spending' whereby inheritors talk about 'blowing it'. And finally, 'commemorative spending' seems to be relatively common whereby the inheritor buys something as a memento of the person. Of course, people could spend their inheritance in a combination of these ways, perhaps buying a memento with some of the money and then 'blowing' the rest or spending the rest on more routine essentials.

Finch and Mason (2000) also discuss another interesting aspect of inheritance – whether inherited money is seen as individual money or is seen as jointly owned (in cases where the inheritor is part of a couple). In most cases, it seems, the person receiving the inheritance usually makes a choice to share it with their partner so sharing occurs in practice but the principle is individual ownership. Sometimes partners keep the money themselves and don't share it because they want to hand it down as 'family money'.

4.3 Analysis of qualitative transcripts

In the qualitative studies of wealth and future expectations, Frank was expecting to receive about £3,000 from a relative who had recently died. He said that this inheritance would not affect his financial behaviour because he believed in spending any money he had, wherever it came from:

'You've got to live for the day, haven't you? That's my attitude. I live for today, sod tomorrow because tomorrow I might not be here.'

This is a very unusual attitude, according to Finch and Mason (2000), because inherited money is generally treated as special money which needs to be dealt with rather differently from other forms of income.   Other responses were more in tune with this idea.

Harry was a 59 year-old man who had not worked since he was 42 due to his poor health. He was about to inherit assets from his uncle's estate but had decided to pass on this money to his children:

'He left us with quite a large sum actually but my wife and I we have decided to spread it equally between my three daughters because I think now is the time they need it – not when they are getting old and grey. They need it, hopefully, to bolster up their plans for the future. From our point of view as soon as I feel up to it we will take a holiday and there is nothing more adventurous than that.'

He said that he hoped the money would give them *‘the chance we didn’t have.’* The money would be given with no conditions but it was clear that Harry hoped it would be spent ‘wisely.’

‘I mean we have told them whatever they do with it is entirely their business. We have given it to them to do what they want, we just hope that they make good use of it.’

This man had a very close relationship (both geographically and emotionally) with his three children (and his seven grandchildren). One daughter lived across the road from him and the other two *‘just down the road.’*

The qualitative data also contained a number of examples of inter vivos gifts. Pete’s mother had previously released some assets and given him some money, along with some for his children. He said that he had invested this for the future in a computer, as an educational tool, for all the family to share. He was scathing of his sister who had spent her cash gift on new furniture and carpets. This is in line with Finch and Mason (2000: 108) who argued that inherited money is difficult money because decisions about it have to be made often at a time of grief. Clearly, decisions about inter vivos gifts are not made at a time of grief but nonetheless involve an element of moral responsibility on the part of some recipients. These decisions are ‘active moral decisions’ concerning relationships over time: *‘people use money to fashion their own moralities of kinship in relational ways.’*

5. Attitudes to leaving bequests/giving gifts

This section reviews evidence on people's attitudes to leaving bequests and giving lifetime gifts. It begins by offering a typology of possible attitudes from the enthusiastic SKIer (who plans to 'spend all the kids inheritance' and leave nothing when they die) to the extreme 'Saint' who is saving as much as possible to leave as bequests. The section then considers the quantitative evidence on attitudes to leaving bequests before reviewing previous literature in this field. The section ends by presenting analysis of transcripts containing people's views about leaving bequests and giving gifts.

5.1 A typology of attitudes

There are two possible extreme views towards the idea of leaving bequests. At one 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 children's inheritance' has become the stuff of T-shirts, car stickers and adverts appealing to the 'Grey Consumer'. A recent *Money Programme*[3] followed two 'SKIers' (people Spending their Kids' Inheritance) who were keen to see the world and take up the opportunities that their own parents had never had. An 'enthusiastic SKIer' would spend both their savings and also use up any housing equity leaving nothing to their children. The programme warned that the children of these SKIers could often 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 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 more minimal standard of living. Some might even be forced to use up their assets to pay for care. We might perhaps label these people 'reluctant SKIers'. 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. We might call these 'occasional SKIers'.

At the other extreme, people might deliberately save or purposively accumulate housing assets in order to leave as much as possible to future generations. People who do this will be living a frugal lifestyle in order to benefit future generations. They will be 'living poor in order to die rich.' The concern here is that these people will be impoverishing themselves and potentially damaging their health by not taking advantage of the assets they have. We might label these people 'Saints' (Saving inheritance for their children). The connotations of this term also reflect a prevailing cultural view that leaving money to children involves self-sacrifice and altruism and is generally a good thing, even though such behaviour might lead to greater inequality in society more generally. SKIers are often seen as being individualistic and selfish in contrast to the 'Saints'. Those who are most self-

[3] *Spending the Kids' Inheritance*, 'The Money Programme', BBC2, 18th February 2004

sacrificing we might call ‘extreme Saints’ while some people might make some efforts to preserve their assets but not to the same extent (perhaps these can be referred to as ‘occasional Saints’).

But perhaps some of those who leave money to future generations are affluent enough to both enjoy their retirement to the full while at the same time maintaining significant assets for future generations. Figure 2 suggests a possible typology that we can explore further in later work. Of course it is important to remember that a significant proportion of people never have any assets either to spend or give away. They are therefore neither Saints nor SKIers.

Figure 2 Possible typology of attitudes to bequests

Enthusiastic SKIers	These people spend all their savings and perhaps even release their housing equity. These assets are then used to enable them to have fun in retirement.
Reluctant SKIers	These people also spend their savings and release their equity but they do this to pay for basic items or are forced to do this to pay for care.
Occasional SKIers	These people preserve their housing equity but spend some of their savings to pay for basics and a few luxuries
Saints by default	These people leave a large amount to future generations because they are wealthy and can afford to have fun in retirement without running down their assets significantly
Occasional Saints	These people preserve their housing equity but spend some of their savings to pay for basics and to give some gifts to children/grandchildren
Extreme Saints	These people accumulate assets and deliberately scrimp and scrape in order to leave as much as possible to future generations

What evidence is there for any of these types of people?

5.2 Literature review

Various studies suggest that there are few ‘extreme Saints’ around. According to the Survey of Care for Elderly People (Erens and Turner 1997), ‘only’ 17 per cent of the population (aged 25 to 70) think that the most important reason for a married couple in their 40s or a married couple approaching retirement to save is to leave money to their children. The figure rises to 23 per cent for a retired couple. When people were questioned about the main reason for owning one’s home, ‘only’ 11 per cent of the population say that it is so that there is something of value to pass on to my family. So the majority of people are not primarily motivated by a bequest motive to accumulate assets.

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

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 ten (41 per cent) said this was the main advantage, followed by a quarter (26 per cent) saying 'it gives you a better sense of security' and 16 per cent that 'you get a better choice of home'. Hardly any (7 per cent) said that they had bought in order to leave an inheritance 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 mind that they would be able to leave it to their children (Kempson and Mackinnon, 1994). So bequest motives were not absent from their minds but they were not at the forefront either.

FSA research (FSA 2002) suggests that attitudes towards making bequests are quite varied, and vary more by emotional feelings than by age or wealth. Those who had themselves inherited were keen to pass on the same advantage to their children while those who had never inherited wanted to give their children the chance they never had. People tended to think about leaving assets to their own children rather than anyone else. Where their children had divorced and remarried, some older people did consider making bequests to grandchildren. And people on high incomes were more likely to consider making bequests to grandchildren than people on low incomes (Edwards et al 2001).

Research has also outlined a range of motives for leaving bequests, such as altruism, exchange and concern to leave one's mark. Some bequests are left 'by accident' when people die earlier than expected and so have not managed to spend their assets (Bernheim 1987; Hurd 1992; Gale and Scholz 1994; Wilhelm 1996).

Drake and Lawrence (2000) researched people's attitudes to how bequests might be divided between children. They found that people generally endorsed cultural norms about equal distribution. But when they were presented with scenarios in which some children had greater needs than others or where some children had provided more care than others, most people felt that it was appropriate to deviate from the norm of strict equality.

5.3 Analysis of Deloitte data

We saw in section 3.1 that the survey of financial attitudes by Deloitte asked respondents about their expectations of *receiving* an inheritance. The survey also asked respondents about their attitudes to *leaving* an inheritance. Respondents were asked which of the following statements best described their attitude to leaving an inheritance to future generations:

- I expect to leave a significant amount of savings and property to future generations
- I expect to leave property to future generations but use up most of my other savings

- I expect to give most of it away or to have spent most of it before I die
- Don't know

One problem with this question is that it does not allow those who will never own any property to say that they will leave some cash inheritance to future generations. Similarly, some people may never have any assets either to spend or give away. This may make it difficult for some people to answer the question.

It was most common for people to say that they would leave property but spend their savings (41 per cent). But almost a third said that they expected to leave both savings and property (32 per cent). One in five (21 per cent) said that they expected to give or spend most of it before they die.

These results suggest that about a third of the population strongly support the idea of inheritance. They might not be deliberately saving in order to pass their assets on to future generations but they are expecting to leave both savings and property. About two-fifths of the population support the concept of inheritance more conditionally. They expect to pass on their property but not any savings. This might be because they will spend their savings on holidays and consumer durables (as with the enthusiastic SKIers) or it might be because they will spend their savings on everyday living expenses (as with the reluctant SKIers). It might also be because they have no savings to pass on at all. Finally, one in five say they expect to leave nothing at all. Again, we do not know whether this is because they simply have nothing at all to leave or because they intend to spend it all on either luxuries or essentials. We will explore these points further in our future empirical work.

It is interesting to see how these attitudes break down by a range of variables such as age, household type, social class, housing tenure and ethnicity. Table 10 shows a very strong relationship between these attitudes and age. Those under 30 years of age were much more likely than older people to say they expected to leave savings *and* property. Those in their 50s were least likely of any age group to share this view. Indeed, those in their 50s were most likely to expect to spend their savings and leave property. Older people were much more likely to say that they expected to give or spend most of their assets before they die.

Table 10 Expectations of leaving a bequest by age

Column percentages

	Age group						
	18-29	30-39	40-49	50-59	60-69	70+	Total
I expect to leave a significant amount of savings and property	42	35	30	22	27	32	32
I expect to leave property but use up savings	36	40	46	47	44	36	41
I expect to give or spend most of it	15	20	19	25	25	28	21
Don't know	7	6	4	6	4	4	6
Base	604	610	539	548	468	390	3159

Source: Deloitte survey of attitudes to financial issues (2002)

These findings seem rather surprising given that it is sometimes thought that there is an increasing tendency for people to want to 'spend their children's inheritance'. According to the Deloitte data, younger people have no such intentions and are keen to pass on as much as possible to future generations. But there may be a number of explanations for these findings. Perhaps the younger generations are supporting the idea of generational transfers because they hope that the older generation will do the same and they will then benefit from such views. We saw in an earlier section of this paper that younger people were indeed more likely to expect to receive an inheritance. But perhaps the younger generations are engaging in wishful thinking about the amount of money they might have in the future, believing that they will have enough to enjoy a comfortable retirement while also leaving savings and property to future generations (thus becoming Saints by default).

Older generations, on the other hand, may be faced with the realisation that there is not so much money to go round and that they are more likely to spend it or give it away before they die. Or perhaps they are already succumbing to the temptation to become SKIers. This is all speculation at this stage. Our own survey should be able to explore and explain these attitudes in more detail.

As well as finding differences by age, there were also differences by type of household. People with children were more likely to say they expected to leave property and savings than people with no children. Couples with children were much less likely than other groups to say that they expected to give away or spend most of their money. Couples without children were much more likely than others to say that they would use up their savings but leave property (see table 11).

Table 11 Expectations of leaving a bequest by household type

Column percentages

	Household type				
	Single, no children	Single , with children	Couple, no children	Couple, with children	Total
I expect to leave a significant amount of savings and property	31	39	25	41	32
I expect to leave property but use up savings	36	28	47	43	41
I expect to give or spend most of it	26	24	23	12	21
Don't know	7	9	5	5	6
Total	952	242	1189	787	3170

Source: Deloitte survey of attitudes to financial issues (2002)

There were also major correlations between attitudes and social class. Two in four (38 per cent) of all those in social class AB (professional/managerial classes) said that they expected to leave a significant amount of property and savings. This compared to only 30 per cent of those in the un/semi-skilled manual classes (DE). Within these two extremes there was less variation but overall, working class respondents were more likely to say that they would give away or spend most of their money than middle class respondents (see Table 12). This may therefore reflect their economic position rather than their attitudes in an ideal world.

Table 12 Expectations of leaving a bequest by social class

Column percentages

	Social Class				
	AB	C1	C2	DE	Total
I expect to leave a significant amount of savings and property	38	32	29	30	32
I expect to leave property but use up savings	45	45	45	32	41
I expect to give or spend most of it	15	17	22	30	21
Don't know	3	6	5	8	6
Total	897	875	592	809	3173

Source: Deloitte survey of attitudes to financial issues (2002)

Housing tenure is very closely linked to social class and economic position but it is also important here because the question refers to leaving property. About half of those who were outright owners or had a mortgage said that they expected to leave their property but use up their savings (see Table 13).

A third said that they expected to leave savings and property. But 14 per cent said that they expected to give or spend most of it, including, it seems, their housing assets. Among those in socially rented accommodation two in five (42 per cent) said that they did not expect to leave anything to future generations. A further third said that they would leave savings and property. And one in five (20 per cent) said that they expected to spend their savings but leave property. This seems to indicate that some people in socially rented accommodation expect to be owner-occupiers in the future otherwise they would not have any property to leave. Or it could be the result of the deficiencies in this question mentioned above (the lack of a response code for people who own no property but expect to leave cash gifts)

Table 13 Expectations of leaving a bequest by housing tenure

Column percentages

	Housing tenure					
	Own outright	Have a mortgage	Social renting	Private renting	Other	Total
I expect to leave a significant amount of savings and property	34	31	28	33	42	32
I expect to leave property but use up savings	49	51	20	37	32	41
I expect to give or spend most of it	14	15	42	22	19	21
Don’t know	4	3	11	8	8	6
Total	899	1176	586	280	228	3173

Source: Deloitte survey of attitudes to financial issues (2002)

A final variable considered here is ethnicity. As argued in the introduction, it can be hypothesised that different ethnic groups might view issues around inheritance rather differently due to variations in socio-economic situation, housing tenure, family forms alongside differences in religious and cultural views around money and the family. The Deloitte survey collected data on ethnicity in line with the 2001 Census question. This question produces numerous categories each with a relatively small number of people within them. For the purposes of this analysis we have merged certain groups to create larger cell sizes. However, we must be careful in our interpretation because there may be differences between people within each of the merged categories (eg Indians may have very different attitudes from Pakistanis and yet they will all be in the ‘Asian’ category for this analysis). Small sample size does not enable us to divide these groups any further. Nevertheless, some broad variations are apparent. Both Black and Asian groups are much more likely than White or Other groups to say that they expect to leave a significant amount of savings and property (see Table 14). They are much less likely to say that they expect to use up their savings but leave a property. They are also less likely than average to say that they expect to spend or give away any money. So it seems that Black and Asian people support intergenerational transfers more than White/Other people.

Table 14 Expectations of leaving a bequest by ethnicity

Column percentages

	Ethnicity				
	White	Asian	Black	Other	Total
I expect to leave a significant amount of savings and property	31	57	52	30	32
I expect to leave property but use up savings	42	21	23	43	41
I expect to give or spend most of it	22	18	17	13	21
Don't know	6	4	8	15	6
Total	3005	77	52	38	3173

Source: Deloitte survey of attitudes to financial issues (2002)

5.4 Analysis of qualitative transcripts

These quantitative findings are very interesting and we explore them in more detail through an analysis of our qualitative research. Our analysis finds no examples of 'extreme Saints' as there was no-one who said that they would scrimp and scrape in order to maximise the amount of inheritance they would leave to future generations. In fact, it was very common for people to say that they wanted to leave their house to their children but that they wanted to spend their money in old age.   Most people said that they would not deliberately live poor in order to leave money:

'It would be nice to think we could leave some to the children but I wouldn't scrimp and save to do that. I would rather live what I would like, you know, to what I wanted. I wouldn't always be thinking, 'I can't touch that, that's for when I die.' I'm not in that way of thinking.'

Michelle had a similar view:

'Savings and that, I would just use up, wouldn't go wild but I don't see the point of scrimping and saving if I've got money. Why should I leave money to somebody else if I've sort of – I've only got one bar on the fire because I can't afford the electric and things like that? I would say, 'fend for themselves.''

In line with the findings from the survey data, younger people did seem a little more positive towards the concept of inheritance than older people. Hannah was in her late 20s but thought it very important that she leave something to future generations. Beth was 20 years old and said that:

'If I had kids I would like to leave something for them.'

When she was asked why this was the case, she said:

'I don't know. It's what people do, isn't it? I suppose it would give them a better start if anything ever happened to me, at least I would know they had something, they wouldn't have to worry about money, hopefully, if you had that much. But it would be nice to say that there's a house at least if they haven't got a house. You sell the house and you've got money to pay for something that you want.'

Many people therefore took the view that it was important to leave something but not necessarily save everything for their children. This was very much in line with the conclusions of Finch and Mason (2000) in their study and it tied in with views about 'good parenting'. 'Good' parents helped their children financially but did not 'spoil' them by giving them too much. Children who were given too much would not learn to be independent, hard-working and thrifty and so would suffer from over-generosity. Jane felt that if people left all their money to their children then their children might rely too much on their prospective inheritance and so not save up for themselves. She thought this was not a good thing and so was keen to enjoy her savings and encourage her children to save for themselves:

'I'd expect our children to do what I've done anyway – save for themselves, not rely on me leaving them something.'

She said that she would leave her children the house but would try to spend all the rest on holidays and so on.

Some people who were 'first generation bequeathers' were keen to give their children the kind of helping hand that they themselves never had. Other first-generation bequeathers felt rather differently, as Barbara exemplifies:

'I would like to leave my house to my children but my money I would like to spend. Yes, because I feel that I never had anything from our parents. They didn't buy their houses so our own children today, if their parents have got houses, are going to be very lucky … But my own money, I would like to spend it and enjoy it.'

Barbara was 58 and took a similar view appearing rather envious of the younger generation:

'I would like to think that if I wanted a holiday I could have a holiday, if I wanted to go and buy a new piece of furniture, I could go and buy a new piece of furniture, without stopping to think, well, that is for my children or grandchildren. Because I find that the children today earn such very, very good money. Why should we work and give it to them? … And they have what they want and they do what they want where we were never able to.'

So there seemed to be two views in relation to the younger generation – the first was that they did not need and financial support because they were sufficiently well off, the second was that they deserved to be helped out.

Sometimes people wanted to help their children because they had been helped out by their own parents in the past and sometimes they wanted to help their children because they had *not* received any help and did not want their children to have to struggle in the same way they had.

In summary, most people seem keen to use up any savings to maintain an adequate lifestyle or even to enjoy retirement a little. This seems to suggest that the main reason why some people leave savings as well as property to future generations is that they either have plenty to go round or that they are cautious about spending it in old age in case they are left with nothing before they die. The bequest motive does not appear to be a strong reason for holding on to savings in old age.

So far in this section we have considered receipts of inheritance but lifetime gifts are also quite commonly mentioned in our qualitative studies. These gifts are given for a range of reasons including to help with a deposit to buy a home, to help with weddings, pay for holidays, university fees and so on. In a study of low-income home-owners, parents had often helped their children to put together a deposit when they bought their first home. In some instances this was a loan; in others a gift (Kempson and Mackinnon, 1994).

There was, however, some mild generational conflict between older people who wanted to give some money to their children or grandchildren and younger generations who wanted them to spend more on themselves. Ivy was 76 and wanted to give money to her children now as well as leaving them money in her will. They wanted her to spend it on herself:

'About once a year maybe or maybe a little longer we will give a few hundred quid to each of our children, saying, you know I don't need this desperately … when we give this money to the kids they get on the blower and say, 'well it's very kind of you but why don't you go on a world cruise. We don't particularly want to go on a world cruise.''

Janet was 68 and also liked to give money to her children and grandchildren, despite the views of her daughter:

'[My daughter] says, 'for goodness sake, you know, don't go without anything because you are trying to leave it,' you know, but a lot of the lump sums are tied up in shares and things and we have not touched those but the rest of it, no, I like to do things from them now rather .. you know, pay for them to go to Disneyland, to go before the girls were too old, you know.'

As well as giving them money towards holidays, Janet had plans to help her grandchildren out in other areas:

'My elder granddaughter will be going through university in 2 years and I want to be able to help out there. I mean we are not expected to but I want to be in a position that we can help her out because it's going to be more and more difficult isn't for them … then the next one will be two years after that so hopefully we can do the same.'

She also had a two-year old grandson through her son and wanted him to receive similar treatment, saying:

'I think we shall have to leave him something.'

Nancy also said that she had made provision during her lifetime for her family and so she was only expecting to leave her home when she died:

'It depends on how long I live … I expect the house will be left. I doubt the money because they are all getting their share now. I've already … shared it out between the family. I've got four granddaughters who each got some, so I feel as if I've provided for them anyway. It wouldn't last them a great deal for the rest of their lives but it has given them a little to put behind them. I don't feel as though I've got to think about them again really, apart from the odd treat on holiday and things like this and helping with the kids. I've done my bit and they won't look for anything more.'

So there were a number of examples of people giving gifts during their lifetime rather than saving up bequests for when they die. Grandchildren featured prominently in such gifts.

6. Attitudes to housing equity

It is clear that most people say that they want to leave their home to their children. But why is this? Is this primarily because of a desire to pass on an inheritance? Or is it because of difficulties in releasing equity? Or is it because they feel they have an inalienable right to their property? This section considers these questions through a review of existing literature and analysis of qualitative data.

6.1 Literature review on equity release

Attitudes to equity release are obviously important 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). The Pensions Policy Institute (2004) recently produced a discussion paper to consider the role that housing wealth might play in providing retirement income alongside pensions.

Equity release schemes take many forms (see Age Concern 2003 for a summary) and may be viewed differently depending on whether they involve a particular type of loan scheme or a home reversion plan (Appleton 2003). Other forms of more general equity release are also interesting, such as 'trading down' by moving to a less expensive home or selling a home and moving into rented accommodation. This last option is reviewed by Hancock et al (1999) who argue that the advantages of renting can outweigh the advantages of being a home-owner in old age. Also, self-employed people may sell their business (including farms) to release assets in later life.

The Council for Mortgage Lenders 'guesstimated' that the current outstanding equity release market was less than £5 billion in 1998 (Terry and Leather 2001) out of a potential market size of £28 billion. A total of 5,000 reversion schemes had been arranged through members of SHIP (Safe Home Income Plans group) in 1999 at an estimated average released value of £62,500.

A review by Hirsch (2004) argued that confidence in equity release mechanisms (ERMs) is a major obstacle to their take-up. Ways to re-build confidence could include bringing home reversion plans within the regulatory framework of the FSA (HM Treasury is currently consulting on this matter) and encouraging not-for-profit organisations such as local authorities and charities to offer such schemes. But another obstacle is the relatively high administrative costs that make small releases of equity poor value for money. There is also a natural reluctance among home-owners to take out an ERM when it is very difficult to judge life expectancy and future appreciation of property values are so uncertain. This makes it very difficult to calculate the value of some schemes.

Davey (1997) carried out a survey of people who had all used ERMs. She found that they had high levels of satisfaction with these schemes which they used to finance everyday living expenses. ERM clients seemed more likely than average to be childless but 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 per cent said that inheritance was important to them compared with only 22 per cent 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 over 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
- Mis-givings about the future direction of government policy
- High administrative costs

The Council of Mortgage Lenders (see Terry and Leather 2001) are also aware of the barriers to future market growth in this area but have suggested various ways of reducing these barriers, such as:

- Gaining kite marks for equity release products from trusted, independent organisations such as Age Concern
- Gaining tax relief and benefit disregards to make the products better value for money
- Promoting a more standardised equity release product with plan English documentation to simplify the products and make them easier to understand and compare

People can release housing equity in order to pay for general living costs or for capital expenditures such as cars or for holidays etc. Housing equity can also be released in order to pay for care. The majority of the public agree that elderly people should be allowed to leave any savings they have for their children rather than use it to pay for care (Jarvis et al 1998). 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).

LeGrys (2002) reviews government policy in this field, noting that until recently, long-term care was often financed through the sale of homes. The person going into care would have to sell their home if they had one and then run down their assets until the £18,500 limit is reached. Now, however, local authorities are permitted to give loans for the costs of non-nursing care when people go into residential homes. Under this deferred payments scheme, people would not be forced to sell their home to pay for care costs. The loan would, however, be paid back from the person's estate when they die. LeGrys points out the operational difficulties of such a deferred payment scheme, not least the lack of experience and expertise in such matters among local authorities. He states that, in effect, local authorities would be running equity release schemes. In practice, this may encourage public-private partnerships.

Other methods of paying for long-term care include through increased direct taxation or through compulsory or voluntary insurance products.

6.2 Analysis of qualitative transcripts

In the qualitative studies reviewed here, a number of people had not heard of equity release schemes and so could not take advantage of them. Among those who had heard of them there was a fair degree of scepticism about these schemes. Only some of this scepticism was based on first or second-hand experience.

Margaret's mother had taken out a mortgage after retirement to release £20,000 worth of equity. She was now paying for the mortgage out of her income which included the state pension as well as a private pension. Her daughter thought it *'the biggest mistake she had ever made,'* because her mother had previously owned her property outright and now had a mortgage on it requiring monthly repayments which she could ill afford (having spent all the equity that she had released). Her daughter thought that retired people should not be allowed to take out such mortgages even though she admitted that her mother was receiving *'an excellent pension in comparison to a lot of people.'*

Nancy thought equity release schemes would be OK if people had no children:

'My friend talks about this. She has a little bungalow and she lives on her own but she has no family and never been married and in a different position and she is thinking about doing that [using an equity release scheme]. … I suppose it's a good idea to some people but I don't think I would have the need.'

Nancy said that she would not have the need of an equity release scheme because she was happy with her standard of living and she planned to leave her home to her family.

But Finch and Mason (2000) argue that attitudes to housing equity are not primarily influenced by the presence or absence of children to bequeath to.

Chloe preferred the idea of selling and then renting a home rather then releasing equity through a financial scheme. She was very sceptical of such schemes and said that, even for people who wanted to spend all their money, equity release schemes might not be the best way of doing it:

'I'm sure it can't be all that it's cracked up to be. Yes, if you've got it, if you're not the type of person that wants to leave any money to your family then, fine, yes. But then if you are *that type of person – put it up on the market and sell it and go into rented accommodation or whatever. Because they [the equity release company] are going to still expect some kind of payments from you for*

your house … It can't be all it's cracked up to be, it really can't. Charging you so much I suppose for your house – not giving you as much as your house is worth.'

Trading down was seen as a far more sensible method of asset release than the various equity release schemes that exist. Some people said that they would be happy to move to somewhere smaller and/or in a cheaper area. One woman said that she would be able to move out of the expensive school-catchment area when all her children left school and this would release some equity.

But some people thought that 'trading down' would not be easy because it would be difficult to find a cheaper home which met all their other requirements (eg was still close to relatives and friends and met a minimum in terms of space etc).

7. Will-making and the content of wills

This final section reviews previous literature and analyses qualitative transcripts to explore the reasons why some people do not make wills. For those that do make a will, the section reviews literature on the form and content of those documents.

7.1 Literature review on will-making

According to Finch and Mason (2000), a minority of the population (about a third) make a will. They give the following reasons for this:

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

Young people are less likely to make wills perhaps for a combination of the reasons given above.

Last wills are generally written very late – the median is age 69 for men and 73 for women. So will-making is not necessarily a one-off activity. People may make several changes to their wills during their lifetime.

7.2 Analysis of qualitative transcripts

In line with previous studies, younger people in Rowlingson (2000) were much less likely to have made a will compared with older people. Reasons given for not making a will included:

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

Leanne was a 20 year-old woman living with her parents and working part-time in a pub. She had not made a will. She said that there was no point in doing so until she was married and had children because things would change and make any existing will invalid. She also said that she did not have much to leave anyway:

'If I made one now, then I'd only have to go and change it as the years went on anyway, because I haven't really got that much, but I think as soon as I get married and have kids, then yes, I'll definitely have to make a will.'

Ted was a 25 year-old man who lived in a rented house with friends and worked full-time as a bar manager. He had substantial student debts. He said that he had not made a will because:

'I've nothing to leave except my debt – and if I die they all get paid off because of the insurance things that I've got on the loans anyway. Better off dead, have more money! … I've nothing to leave, I haven't got anything. I mean someone can have my video collection or my CD collection, the snow boards and the weight boards, they're the only things I've got of value.'

While it was mostly younger people who had not made wills, there were also a number of examples of people in their 50s who had not made a will. Bob was 55 and lived with his wife and 22 year-old son in their owner-occupied home. When asked if he had made a will, he replied:

'Don't mention that word! I haven't got a will. We've talked about it but I find it depressing … it's like talking about life insurance … I hate that, I hate critical illness.'

Sally was 51 and married to a plumber. They were owner-occupiers and had a 17 year-old son who was disabled and currently dependent on them. Sally had not yet made a will but it was certainly something that was on her mind. When asked if she had made a will, she replied:

'it's a sore point, no! … Last holiday, that's when we was going to do it and we didn't … no we keep saying we really ought to, we really ought to, but you know, we haven't … we just keep putting it off, we don't get round to doing it. There's no particular reason it's just that we never do it. You can see we are not organised!.'

While it was very common for people to lack a will because they had no assets to leave, it was also the case that some people lacked a will because they had a large number of assets in a complex portfolio. Sarah said that she had not made a will yet because:

'It's the fact that to actually sort it all out and put it all down we've got quite a lot of different pots and piles in terms of houses and … they're probably going to change.'

Some people had not made formal wills but had taken some steps to arrange what would happen if they were to die. Sarah was 36 and lived with her partner and three children under the age of 10. They had bought and were renovating an old house. She had not made a will but said that she had sorted out what would happen to the children:

'We've got an agreement with the family that we sorted out the children, which sounds ridiculous, but the finances I couldn't really give a stuff about. The kids became the important thing. So emotionally we sorted them out to go to my brother, because he hasn't got any kids and he's older than me, and they're both working people and independent whereas his [partner's] family seems to have lots of children.'

Pauline, who was 51, said that she had not made a formal will but had written her intentions to bequeath on a note.

Anne was 42 and had children aged 19 and 22. She had not made a will but said that her daughters had made lists of things they want when she dies. She said that she had done this to avoid arguments about personal items after her death.

Although most people under 50 had not made a will they generally thought that they would do so in the future at some point. Alan, who was currently 47, said that he would make one when he was between 50 and 55 and he said he felt sure to live that long so did not need to make one before that time.

Harry was 59 and currently had no will but he planned to make one very shortly because he had been sorting out an estate that had a will and nevertheless found the process very complex. He therefore imagined that if he died intestate he would leave his partner in a very difficult position. So even though he had very little to leave (he was on council housing and had been on long-term sickness benefits for many years) he was resolved to make a will very shortly.

Many of those aged about 50 or over had made a will. Triggers for making a first will included:

- Illness of self or relative or friend
- The death of a relative or friend
- Having to sort out the estate of a family member
- Family change (eg marriage but more commonly divorce and remarriage)
- Long-distance travel (eg by airplane)

Billy was 48 at the time of the interview and had relatively little to leave as he was living in a housing association flat and worked as a cleaner but he had made a will the previous year after a friend of his (of about the same age) had died. Billy had also been ill that year and this was an additional spur to make a will:

'A friend of mine in his 40s died about a couple of years ago and it makes you think of your own mortality really. He was my age, slightly younger than me, about four months younger. He went to work one morning and never came home, died in work. He was in good health as well, or seemed to be – a non-smoker … So and also I was ill last year so I thought I'd make a will.'

Huw made a will 20 years previously when he had been 42. His first wife was ill at the time and he was concerned that if anything were to happen to him, his children might take some or all of his money. He wanted to make sure that his wife would receive all his estate:

'I didn't want any intestate laws to take money from her because the way the intestate laws work it seems that she's only going to get half of whatever … and the rest had to go to the children and they were old enough to demand it – not that they would necessarily have done it, but they would have recognised their legal right and perhaps they would have felt they had to have it, because it was their legal right to do so. So I thought, well I'm not having that, so I made a will.'

Susan, who was now 60 made a will when her friend's mother died intestate about seven to eight years ago:

'Only because that happened, a friend of ours, his mother died and she didn't make a will and it was an uproar, you know everything was in uproar, so they said, they were very good friends of ours, well I know for certain we are going to make a will so we decided to go and make one about the same time, and that was all signed.'

Janet spoke of the first time she made a will:

'We did the original the first time we went abroad. I was pretty sure, you know, the plane would crash and [our son] was still at school and we made a will where [our daughter] had got control of all the money until he had left school.'

A number of people had made wills at some time in the past but said that they now felt it needed updating. This was usually because children had grown up or they had got divorced or remarried. So it is important to consider whether current wills are valid and appropriate rather than whether one simply exists or not.

7.3 Literature review on the form and content of wills

According to Finch et al (1996), just over half of all wills are total estate wills (52%). The rest are composite wills (48%). Total estate wills do not necessarily leave everything to one person (though this is often the case) but they leave the assets as a whole (and perhaps divide them equally among children). Composite wills break up the estate into different assets and then bequeath them separately, often leaving a residue to a particular person

Composite wills often mention particular cash gifts but they can also mention personal property, real estate (houses and land), income, money in financial accounts, non-liquid financial assets. Composite wills often include a more diverse group of people as beneficiaries.

According to Finch and Mason (2000), there are some very clear patterns in relation to inheritance: 92 per cent of testators name at least one relative;

17% name a non-relative (friend or neighbour); and 9% name an organisation (eg 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 them. Indeed, people do not generally think that property passing from one spouse to another is inheritance. Inheritance is generally thought of as transmission to the next generation. There is an assumption that (married) couples own property in common. 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.

Factors affecting 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 per cent) than for them to contain gifts for grandchildren (12 per cent). About one will in five (18%) contains gifts to someone in the same generation (apart from spouse) – all 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 is substantial for some people but it is often received by people who are middle aged and therefore already established. It is usually left to a very small group of people – 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 (eg 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.

People tend to inherit in line with their position in kin networks but there are some ways in which testators can exercise more individuality eg:

1. Setting conditions on a bequest
2. Bequeathing particular gifts to particular individuals of the same kin type
3. Giving different people gifts of different values

Some testators exercise their individuality – usually in the second way mentioned above: 29% of total wills and 42% of composite wills have at least one condition on one gift in the will.

There appear to be relatively few conflicts over wills. Where these occur, the villains are generally seen to be the beneficiaries not the testators.

So there are clear patterns, according to analysis of wills (Finch and Mason 2000). But times are changing and the growing number of complex families may cause changes to occur in these patterns. For example, will people ever bequeath to ex-partners? Or will they actively ensure that they do not inherit? Various pitfalls highlighted by solicitors include:

- Divorced spouse might make a claim on the estate
- Money might go to children of the second spouse
- Second spouse might leave all the money belonging to previous spouse to their own children excluding the children of a former spouse

Finch and Mason (2000) cannot comment on who is excluded from wills because they only have the wills in front of them. Our study could compare the respondent's plans to bequeath with details of their extended family to see if they are excluding people from wills who might appear to have an equal claim to someone else who is included.

8. References

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