

## The middle-aged squeeze

Juggling careers, family care and financial pressure amid rising costs and wealth transfers

Increasing longevity and evolving demographics have left many middle-aged individuals juggling careers with caring for both ageing parents and children. This issue is particularly acute for ambitious professionals who prioritised establishing their careers before starting a family in their thirties or forties.

On top of financial constraints, caring for elderly parents and young children places immense pressure on the most precious resource of all for working parents – time.

The emotional and physical toll of feeling constantly at the coalface may generate significant stress. Choosing your priorities carefully can mean disapproval from those who think your attention should be elsewhere, often focusing on them.

### RISING INFLATION AND INTEREST RATES

Has the squeeze got tighter? Rising inflation and interest rates have created clear winners and losers. Those with mortgages have been among the losers. As fixed rate deals have ended, moving onto a variable or new fixed rate has meant accepting higher payments or extending terms to keep monthly outlays the same.

Coupled with inflation, this has reduced real disposable incomes. The winners have been those who are debt-free and those who have savings and investments. Typically, these individuals are retired, and the increased income may be surplus to requirements.

### THE COST OF EDUCATION

School fees and care costs have historically risen faster than inflation. The cost of private education has soared. Fees jumped by an average of 5.1% in 2022<sup>[1]</sup>. The average cost per child is now £6,944 a term for day pupils and £12,344 a term for boarders<sup>[2]</sup>. There are big regional variations, too. With the rising cost of living, private schools have had little choice but to pass energy and food costs on to parents. Imagine those costs for a family of four.

It is no wonder house prices are so high in the catchment areas of state schools with good Ofsted ratings. Many parents or guardians rely on other sources for some or all of the fees, such as loans, inheritances or other payments.

### UNIVERSITY AND HOUSING

School may lead to university, with its accompanying student debts. Children may be dependent on their parents for longer and not leave the nest as quickly as one might hope. Rising rents mean the aspiration to get on the property ladder may only be achieved after age 30 and will require some financial assistance.

### THE MOUNTING COST OF CARE FEES

If you are paying for care, the average weekly cost of a residential care home in the UK is £1,160, while average fees at a nursing home cost £1,410 per week<sup>[3]</sup>. This means residential care for a whole year (52 weeks) costs an average of £60,320, and nursing home care costs an average of £73,320 annually. Fees will vary depending on the area you live in and the home you choose.

The families of those in care homes are unlikely to pay the entire bill but may top this up to ensure a better quality of life, such as an ensuite room, visits from the hairdresser, entertainment and day trips. As parents may live some distance away from other family members, time and practicalities may create the need to move closer, leading to inevitable upheaval and losing a friendship network.

### ROLE OF INHERITANCE

Our elderly relatives play a crucial role in the upcoming shift in wealth. They'll be vital in the wealth transfer over the next 10-15 years. The 'sandwich generation' – those caring for their children and ageing parents – are set to inherit



significant assets. Figures from HM Revenue and Customs (HMRC) show a record-breaking increase in Inheritance Tax (IHT) receipts, reaching £7.5 billion from March 2023 to April 2024. This is a jump of £400 million compared to the previous year and continues a trend that's been rising for the past two decades.

With an IHT rate of 40%, nearly £19 billion in assets, beyond various exemptions and reliefs, were taxed<sup>[4]</sup>. The taxman might become the largest single beneficiary if multiple family members inherit. Given the current higher interest rates, the compounding effect of reinvested income can grow wealth even further. Therefore, financial planning is about reducing the size of estates and preventing them from growing too large.

## FINANCIAL PLANNING AND GIFTING

Using surplus pension and investment income, for example, to help towards grandchildren's school fees both invests in their future and reduces the growth rate of the estate. The notion of IHT planning may conjure images of esoteric and inaccessible investment schemes, but straightforward gifting can be just as effective.

In addition to utilising various allowances and reliefs available, lump-sum gifts to an individual, known as Potentially Exempt Transfers, will not be subject to IHT if you live for seven years after making the gift. If you die before then, these gifts are initially set against the available nil rate bands, so they may still be tax-free. Lump-sum gifts could be a valuable way to help a grandchild working to be a

first-time buyer get a decent deposit together. The average gift for a house deposit is £25,000.

## CREATING A FINANCIAL PLAN

However, for many – possibly the majority – the fear of running out of income and capital mentally eclipses the huge benefits of helping younger generations now, providing the enjoyment of seeing the positive impact on their lives. Creating a financial plan will provide the knowledge and reassurance of knowing you are financially secure, whatever the future may hold. This, in turn, will enable you to consider gifting from income and capital.

An inbuilt reluctance to discuss money matters with family members can lead to poorer long-term financial decisions and more money lost to the taxman. A lack of dialogue will also mean less influence over the choices made for you if you lose capacity – simply because your children might not know what you want to happen. Financial openness across generations is the starting point. ■

## DO YOU WANT TO DISCUSS YOUR FINANCIAL PLANNING REQUIREMENTS?

Please get in touch with us if you require further information or need assistance with your financial planning requirements. We are here to help you secure your and your loved ones' financial future.

### Source data:

[1] Schoolfeeschecker, accessed April 2024,

[2] Schoolguide, accessed April 2024.

[3] www.carehome.co.uk/advice

[4] <https://britishbusinessexcellenceawards.co.uk/from-the-awards/inheritance-tax-receipts-reach-a-record-breaking-7-5>

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