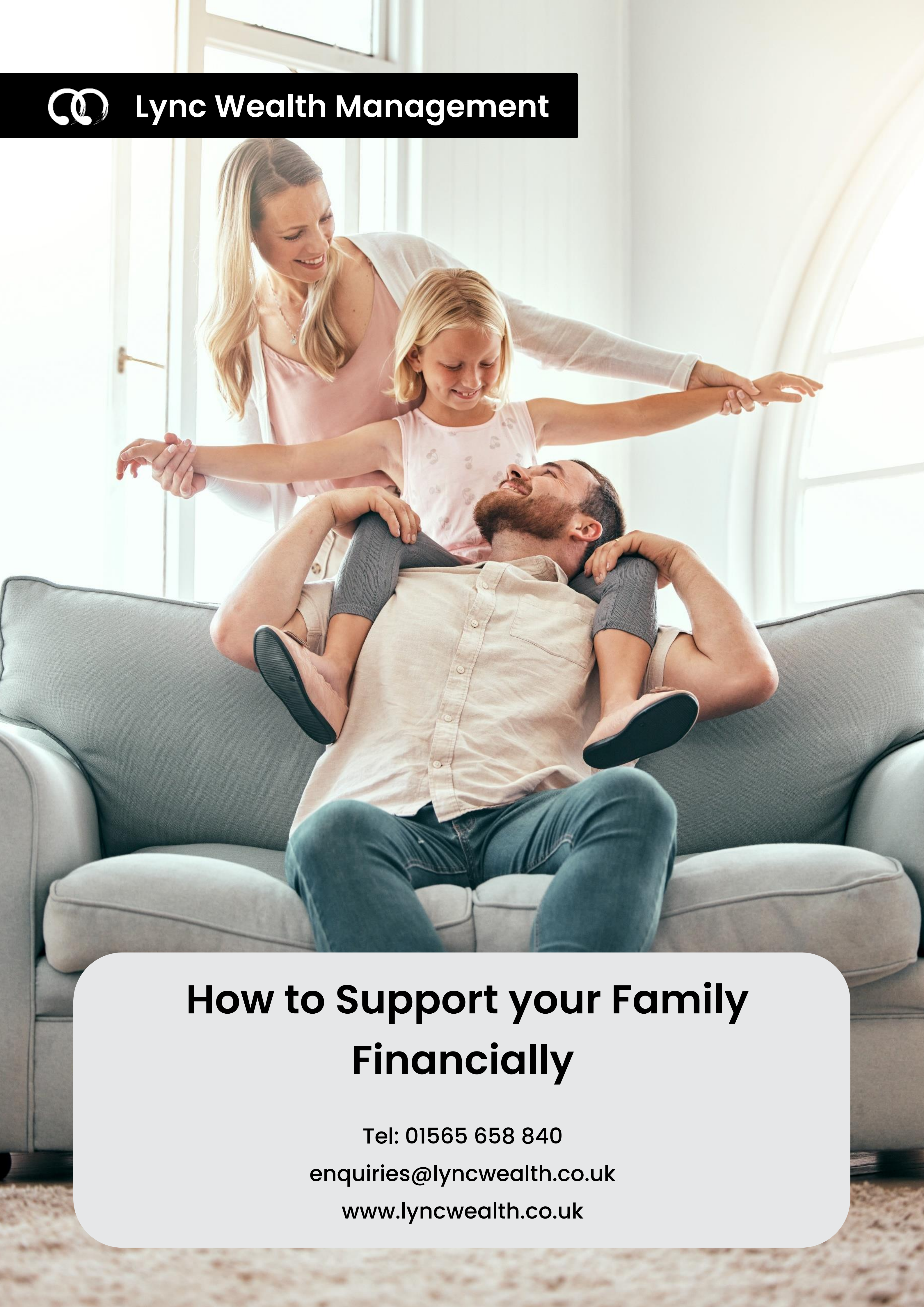
Lync Wealth Management



How to Support your Family Financially

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How to support your family financially

With the cost-of-living crisis and inflation playing havoc on so many people's lives, young people are reaching out to the Bank of Mum and Dad to get by. Research by Saga in 2020, showed that 1 in 5 parents said they were helping their adult children financially, in 2022, this increased to 1 in 4.

64% of those parents researched, also expected the current cost-of-living crisis to have a greater impact on their adult children's finances than the COVID-19 pandemic due to rising bills, increasing rent and mortgage payments and due to this, a lack of accessible savings.

The events of the 2020's so far, has also resulted in many over 50s re-evaluating their inheritance plans, to be able to support their family further. The same research shows that:

- 1 in 4 (24%) say the cost-of-living crisis has changed how they plan to share their estate with their family – rising from 21% during the pandemic.

- 12% of over-50s gifted away money during the Covid-19 pandemic, with 15% now expecting that they will do so at some point during the current cost-of-living crisis – an average of 9% of their estate.

- Over a third (34%) also say they are now more open to different types of inheritance, with the same proportion highlighting that they want to see their children benefit from it before they die.

Given these statistics, it is a fair assumption that as a Financial Adviser, you will be getting more of your over 50's clients asking how they can support their children and grandchildren.

But what are the options for family members who are in a strong financial position and wish to support their family during times of volatility like these?

Investing in your children's future

Starting with a strong foundation, you can start supporting your children financially from birth. Consider setting up a Junior Individual Savings Account (JISA) which offers tax-free growth and a range of investment options. These can be cash ISAs or Stocks and Shares ISAs.

You can contribute up to £9,000 per year which allows you to accumulate funds until your child reaches adulthood. The plan is held in the child's name until they reach 16 but cannot access this until they are 18.

With investing comes risk and you could end up with less that you put in. it is recommended that you consult a Financial Adviser who can help you identify your risk tolerance and recommend appropriate investment strategies.

Anyone over the age of 16 can buy National Savings & Investments 'NS&I' Premium Bonds for a child and a nominated person will look after the account until the child turns 16. Premium Bonds offer a chance to win tax-free prizes in monthly draws. Keep in mind that while the winnings are tax-free, they are not guaranteed.

NS&I are government backed and are not regulated by the Financial Conduct Authority (FCA).

By navigating this landscape of savings and investments with a strategic outlook, you pave the way for a bright and promising future for your child, fostering financial stability and granting them the opportunities they deserve.

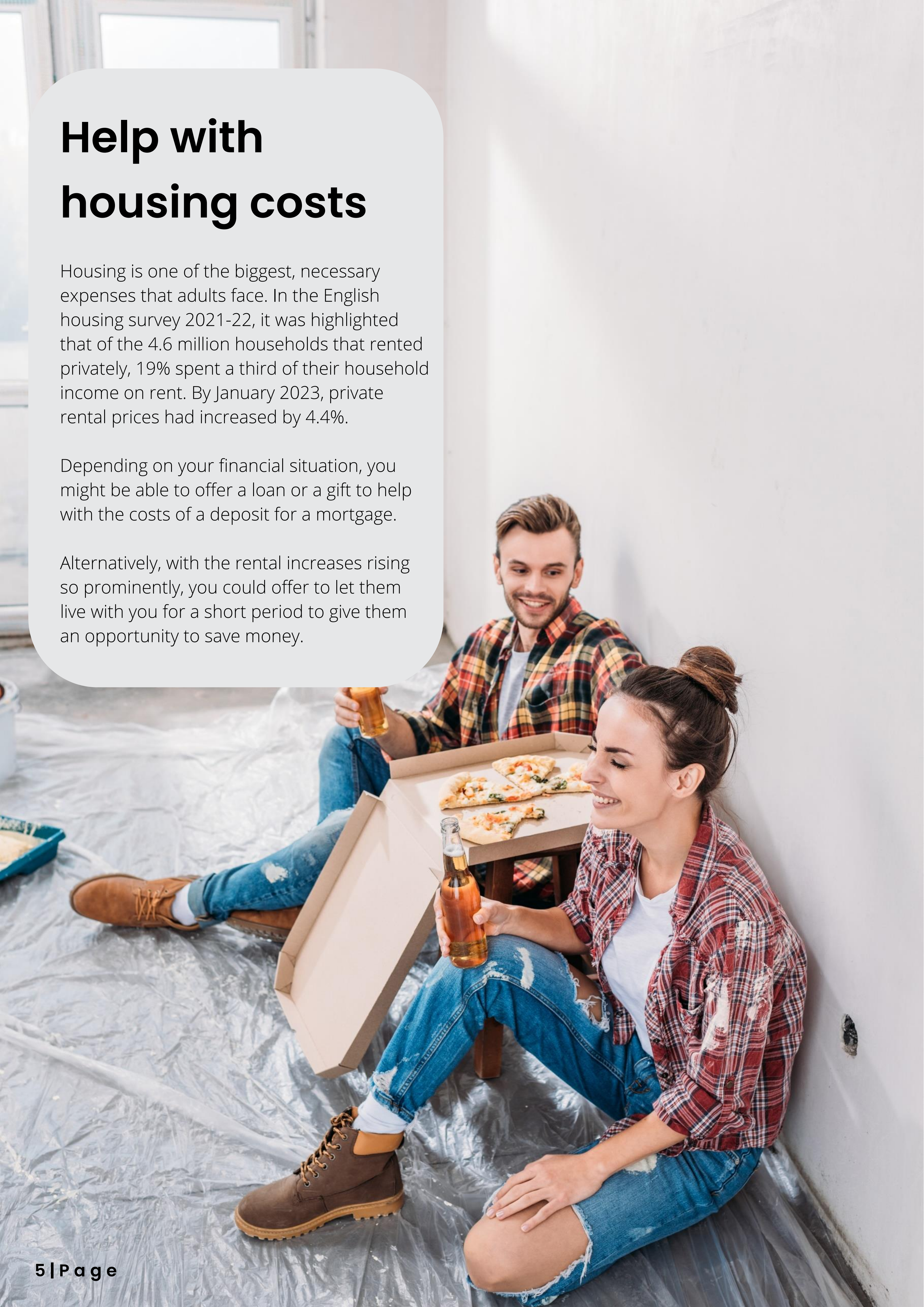
Help with budgeting

One of the biggest challenges for young adults is learning to manage their finances effectively, as there is little education offered in schools. Offering to sit down with your child and help them draw up a budget can be a great way to help them take control of their finances. You could also help them to research ways to save money, such as switching energy suppliers or shopping around for the best deals on Wi-Fi and TV providers.

Below is an example budget that we have put together for a young adult still living at home, to demonstrate the value of identifying all outgoings. Remember that this is just an example budget, and your own expenses and income may differ. Be sure to tailor your budget to your own needs and priorities, taking into account any life changes and milestones that may require you to review and adjust, to remain effective and relevant.

Wherever possible, leaving yourself a remainder after budgeting is advised to help you to either deal with those unexpected events such as a nail in your tyre or the nice events such as being invited to a wedding.

Monthly Income (after tax)	Monthly Expenses	Net Income
Salary: £1,500	Bills contribution: £200	Total income: £1,500
	Food contribution: £100	Total expenses: £1,350
	Rent contribution: £100	
	Car (fuel & insurance): £200	
	Social: £200	
	Debt repayments: £100	
	Savings: £200	
	Miscellaneous (birthday gifts, Christmas savings, holidays etc): £100	
	Emergency fund: £150	
Total income: £1,500	**Total expenses:** £1,350	**Remainder:** £150



Help with housing costs

Housing is one of the biggest, necessary expenses that adults face. In the English housing survey 2021-22, it was highlighted that of the 4.6 million households that rented privately, 19% spent a third of their household income on rent. By January 2023, private rental prices had increased by 4.4%.

Depending on your financial situation, you might be able to offer a loan or a gift to help with the costs of a deposit for a mortgage.

Alternatively, with the rental increases rising so prominently, you could offer to let them live with you for a short period to give them an opportunity to save money.

Offer financial assistance

If you're in a position to help, offering your adult child financial assistance can add a much-needed layer of reassurance during stressful times. This could be in the form of a no-obligation gift, such as lump sum to cover bills or living costs or it could mean contributing to their rent or food bills on an ongoing basis.

It is worth highlighting that however generous and honest your intentions are when wanting to support a family member, assistance can sometimes strain relationships in unexpected ways or create unrealistic expectations in the dynamics of your relationship with loved ones. Make sure to have an honest conversation with your family member about what you're able to do and set clear boundaries to avoid any misunderstandings. This is particularly true, where you are offering a loan, rather than a gift.

Seeking financial advice yourself, will put you in a better position to ensure you can still achieve your financial goals, while feeling secure in the knowledge your children and/or grandchildren are also financially stable.

Provide emotional support

The cost-of-living crisis can be a stressful and demoralising experience for young adults. As a parent, offering emotional support can be just as important as offering financial support. Simply being there to listen and offer advice can help your child feel more supported and less alone.

Encourage them to seek professional help

There are a number of organisations that can offer support to young adults who are struggling with the cost of living. Encouraging your child to seek help from these organisations can be a great way to give them the support they need. For example, the Citizens Advice Bureau can provide advice on a wide range of financial issues, while StepChange offers free debt advice.

Before offering any financial support to your adult children, it's important to consider your own financial situation. If you do decide to offer financial assistance, make sure that it is within your budget and won't impact your long-term financial goals.

Other ways to help

The cost-of-living crisis is hard on everyone, not just young people so you may not be in a financial position to support family members right now.

Working to establish your own savings goals and financial well-being is also critically important. By getting on track for retirement you can help your family financially in the long run. There are a number of ways you can save for retirement including:

Lifetime ISA (LISA)

A LISA is designed for long-term savings, specifically for purchasing your first home or saving for retirement. Currently, you can contribute up to £4,000 per year into a LISA. This counts towards your overall ISA limit of £20,000. The government adds a 25% bonus to your LISA contributions each year up to a maximum of £1,000. You can open a LISA from the age of 18 and you must make your first payment into it before you reach 40. W

hen you reach the age of 50, you are no longer able to pay into a LISA and the government's additional 25% will stop. Your LISA will remain open and your savings will continue to earn interest.

When it comes to withdrawing money from a LISA, you will incur a 25% withdrawal charge unless you are:

- Buying your first home (under a total of £450,000)
- Aged 60+
- Terminally ill with less than 12 months to live

Cash ISA

A Cash ISA is essentially a tax-free savings account. Interest earned on the money you save in a Cash ISA is not subject to income tax. It's a low-risk option suitable for those who want to preserve their capital whilst earning interest. Depending on the type of Cash ISA you open, you can either have instant access to your money where you can withdraw whenever you need to, or a fixed term where you can only access at the end of the period. Early withdrawals usually come with interest penalties.

Stocks and Shares ISA

This type of ISA allows you to invest in a wide range of assets, including stocks and shares (equities) and bonds amongst other investments. Any dividends or capital gains earned within a Stocks and Shares ISA are exempt from tax. If you have the facility to invest over the longer term, for at least 5 years, a Stocks and Shares ISA can help you build a nest egg for the future.

Stocks and Shares do not offer the same capital protection as cash deposits. It is important to remember, the value of your investments can go down as well as up so you may get back less than you first invested.

Estate planning and inheritance tax

Estate planning is the process of managing your assets and liabilities during your lifetime and after your death. It includes making decisions about who will inherit your assets, how they will be distributed, and how taxes will be paid.

Inheritance tax is paid on the assets that are inherited from a deceased person. The amount of inheritance tax that is payable depends on the value of the estate and the relationship between the deceased person and the beneficiary (The person that benefits from the estate).

Estate planning and inheritance tax are two important concepts that are often linked together. This is because estate planning can help to minimise the amount of inheritance tax that is payable.

Giving gifts

Gifting to your beneficiaries during your lifetime will reduce the value of your estate and the amount of inheritance tax that is payable.

Gifts given less than 7 years before you die may be taxed depending on:

- The relationship of the person who gave the gift to you.
- The gift value/s.
- When the gift was given.

Using trusts

You can set up trusts to hold your assets which will protect them from inheritance tax and ensure that your beneficiaries are provided for. Information regarding trusts and the taxes that must be paid can be found on the GOV website.

Making a will

A will is a legal document that specifies how your assets will be distributed after your death, ensuring that your wishes are carried out and that named beneficiaries receive the assets that you want them to have.

The Financial Conduct Authority does not regulate Will Writing or Trust Advice

Summary

Supporting your family financially involves careful planning and responsible decision-making. Remember, supporting your family is an ongoing journey that requires adaptability and consistent effort. By setting your children up with good financially responsibility and budgeting skills, they will then be able to support their children to do the same.

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Publication date: