WHITEPAPER

The First-Time Buyer Report: A Generation in Crisis

How the pandemic, saving challenges and generational wealth gaps are influencing young adults' lives.

Contents

Methodology

The statistics in this whitepaper are built on two surveys: one of 1,019 first time buyers under 45 years old, and one of 1,019 homeowners over 45 years old. All survey respondents were based in the UK.

First time buyers were considered as those respondents who said they hope to buy a property, are planning to buy a property or are in the process of buying a property. Homeowners were defined as those who own their home outright or own their home with a mortgage.

The research was conducted by Censuswide on behalf of Tembo Money in October 2021.

Introduction

As teenagers, most of us have very clear ideas about what the future will hold. Weddings, mortgages, babies, career progression & a happy retirement. And it's not just the event itself we imagine; we expect to neatly tick these milestones off when we reach a particular age – typically informed by the age our parents and family were when it happened for them. But what happens when those birthdays come and go, and the milestones remain out of reach?

Increasingly, this is the reality for young adults today. The typical route to adulthood that older generations have taken is no longer the norm. In fact, for the vast majority, it simply isn't possible. That's because while we have grown to expect each generational cohort to progress further and faster than the last, younger generations have struggled to find financial stability, with millennials the first generation in history to be worse off than their parents.[1]

1. O'Connor, S. 2018, February 23. Millennials poorer than previous generations, Data Show. Financial Times.

This is particularly evident in the numbers of young people able to reach the most coveted of milestones for Britons; buying a home. Taking inflation into account, house prices in the UK have increased 227% since the 1970s.[2] This paired with wage stagnation and the increasing cost of renting has resulted in there being fewer first-time buyers to the market than ever before.[3]

It's not hard to see why. Hit first by the 2008 financial crash, and then by COVID-19, home ownership has moved from an inevitability to an impossibility. Even the worst recession in a century failed to cool the property market, a further kick in the teeth for young people, 71% of whom feared they would never become homeowners even before the pandemic.[5] Official figures released earlier this year showed house prices in March 2021 were up 10.2% versus the previous year - the fastest annual rise in 14 years.[6]

Clearly a challenging financial climate lies ahead for young adults in the UK, and there has never been such a hostile environment for people to begin generating their own wealth. But despite the clear economic divide between generations, the reality is that both want the other to thrive, and our findings show a sensitivity and rapport between generations that belies the bitter 'boomer-millennial' divide often presented by the media.

In this report, we unpack the current state of play for would-be first-time buyers, comparing their experiences to those of older generations who already own a home. We'll analyse how the challenges they face and the wider economic climate will influence the pursuit of their life milestones.

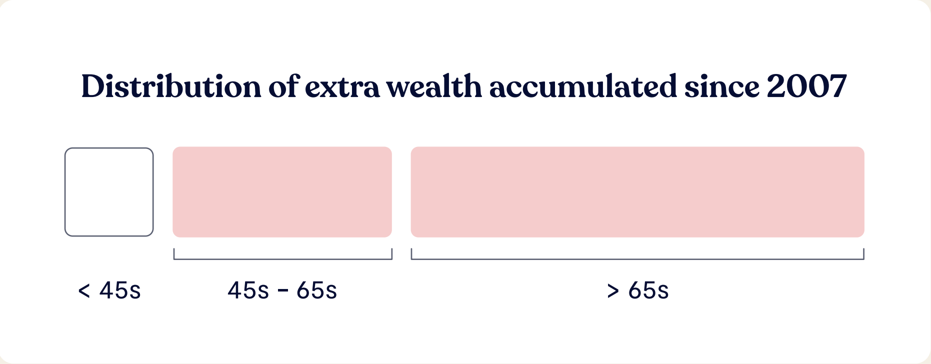
227%

Increase in house prices since the 1970's

2. Professor Bobby Duffy, 'Generations: Does When You're Born Shape Who You Are?', 2021, pg. 47.
3. The Guardian. 2020. Mortgage for average first-time property in Great Britain needs income of £37,096.
4. Financial Times. 2020. How the pandemic is worsening inequality.
5. OneFamily Research. 2020.
6. BBC News. 2021. Why house prices are rising so fast in a pandemic.

The generational wealth gap

It's no secret that there is a stark generational wealth gap in the UK. Thanks to increasing house prices, inheritance and final salary pension schemes, the Baby Boomer generation have accumulated the vast majority of the UK's wealth, while younger generations have struggled to find their feet.[7]



With the aftermath of the crash creating inflation in financial assets - and consequently allowing those with property and share portfolios to flourish - it is perhaps not surprising that, since 2007, all of the extra wealth accumulated in the UK went to people over the age of 45 - with at least two-thirds going to those over 65.[8]

7. Melling, C., 2021. What are the real implications of intergenerational wealth transfer?
8. Duffy, B., 2021. Generations. Does When You're Born Shape Who You Are?. Atlantic Books, p.33.

Recent history hasn't bucked the trend. A think tank report from The Resolution Foundation recently showed that in the UK, lockdown helped people to increase their wealth thanks to reduced spending and rising house prices, but that the benefits had been skewed to the richest by a ratio of more than 500 to 1. They concluded that while wealth increases are rare during recessions, the impacts of 2020 and 2021 had 'turbo-charged' the gap between rich and poor.[9]

40%

2020 rise in financial vulnerability by those aged 18 to 24 and the self-employed

While older generations have been able to thrive during times of uncertainty, for Millennials and Generation Z cohorts who have struggled to acquire assets of their own, the picture isn't so rosy. They were hit first by the calamitous combination of high levels of unemployment and low wage growth after the 2008 financial crisis, and then by COVID-19 - which disproportionately affected younger generations. The FCA reported that those aged 18-34 years-old and the self-employed saw the largest proportional increases in financial vulnerability in 2020, rising by more than 40%.[10]

As Professor Bobby Duffy notes in his book 'Generations', under 40s are more likely to have lost work, drawn on savings, fallen into debt and been forced to stop pension contributions compared to older people. The result of all of this is that younger people are living more precarious financial lives than their predecessors - more often than not living back in the family home (young adults today have been coined the 'boomerang' generation), or spending two thirds of their income on rent.[11] So, it's no surprise that the acquisition of assets and wealth that could improve their financial standing - for example, buying a home - is a distant dream for many young people. This change hasn't gone unnoticed by older generations, with our research showing that 83% of homeowners over the age of 45 feel that young people face more difficulties getting on to the property ladder than they did.

% of homeowners who agree/disagree with the statement: I think younger people now face more difficulties getting onto the property ladder than older people did

Homeowners over 45 years old

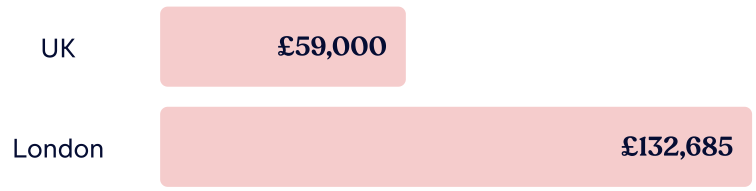
Agree (net)	82.92%
Strongly agree	54.56%
Somewhat agree	28.36%
Neither agree nor disagree	11.58%
Somewhat disagree	3.34%
Strongly disagree	2.16%
Disagree (net)	5.50%

9. Elliott, L., 2021. UK wealth gap widens in pandemic as richest get £50,000 windfall.
10. Bain, I., 2021. Young people, their money and how all is not lost.
11. Duffy, B., 2021. Generations. Does When You're Born Shape Who You Are?. Atlantic Books, p.44.

The savings challenge

One of the biggest barriers that Millennials face trying to get onto the property ladder is the ability to save for deposit. As the average first time buyer needs deposit of £59,000 to get onto the property ladder in the UK (and whopping £132,685 to do so in London), having large lumps of cash to hand is critical.[12]

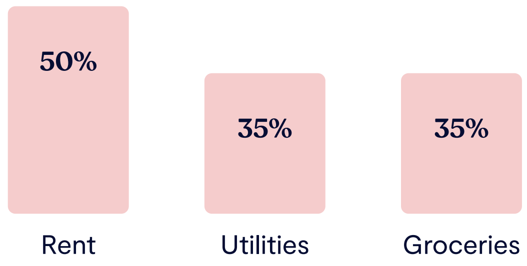
Average deposit for a first-time buyer



However, with the cost of living increasing, energy prices rising, and incomes stagnating - saving deposit that's almost twice the UK average annual income is no simple feat.

Our research has shown that for would-be !first time buyers, rent (50%) is the top outgoing cost that impacts their ability to save money. Utility bills (35%) and groceries (35%) follow as the second biggest factors stopping saving. Looking at the disparity between the genders, men come out on top - rent is the biggest drain to savings for 56% of women compared to 42% of men.

Top monthly outgoings for first-time buyers



Let's not forget the impact of student loans on the youngest people referenced in our study. 20% of 18 to 24 year olds say it affects their ability to save (compared to just 9% and 4% amongst their older peers). And with the government planning to lower the income threshold in the future, it would come as no surprise to see this increase. Just a few months ago The Money Saving Expert, Martin Lewis, warned that student loan costs may rise by £400 per year for lower earning graduates.[13]

% of first-time buyers who say student loans impact their ability to save, by age

18 to 24	**20.42%**
25 - 34	**9.43%**
35 - 44	**3.72%**

12. Abernethy, L., 2021. Average house deposit for first-time buyers now £57,000.
13. White, E., 2021. Martin: Student loan costs may rise £400/yr.

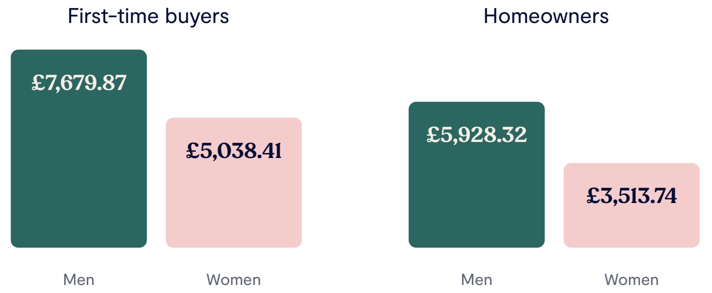
Regarding the pandemic, it should be easy to predict which demographic saved the most. However, our research showed that our first time buyers actually saved more than homeowners over this time (£6,183.77 saved for first time buyers vs £4,887.05 for homeowners). Across both homeowners and first-time buyers, those living in Greater London saved the most compared to the rest of the UK: £7,973.28 for first-time buyers, and £9,027.06 among homeowners. This is indicative of higher earners being able to save more during lockdown.

How different groups saved during the pandemic

	First-time buyers under 45 years-old	Homeowners over 45 years-old
Nothing	**14.13%**	**24.93%**
£1 to £500	**17.17%**	**11.19%**
£501 to £5,000	**25.32%**	**27.87%**
£5,001 to £10,000	**16.09%**	**10.70%**
£10,001 to £15,000	**10.21%**	**5.59%**
£15,001 to £20,000	**5.10%**	**3.34%**
More than £20,000	**6.58%**	**5.59%**

Further discrepancies in the amount people were able to save over the pandemic are seen when the data is broken down by both age and gender. Men saved more than women over the pandemic: £7,679.87 versus £5,038.41 for first time buyers, and £5,928.32 vs £3,513.74 for homeowners - a number which is reflective of significant and worsening pay gaps between men and women.[14]

Pandemic savings by gender



When it comes to age, younger first time buyers were better savers than their older counterparts: 18-24-year-olds saved £6,503.78, compared to £5,843.86 among 35 to 44-year-olds. As those in the 18-24-year-old demographic are more likely to live at home rent free (as well as 16% of this demographic being financially supported by their parents), this discrepancy does not seem too extreme.

It comes as no surprise that almost a quarter of first-time buyers earning less than £15,000 a year saved no money at all during the pandemic. Naturally, the amount saved increased with the earning level amongst first time buyers, with the highest earning of the demographic (who earned more than £75,000) saving a mean of £12,409.02. In fact, 20% of this group said they saved between £25,001-£30,000 - a huge increase compared to the mean savings (£1,951.98) of the lowest earning group.

14. Gender-pay-gap.service.gov.uk. 2021. Search and compare gender pay gap data.

First-time buyers' savings by income: lowest earners vs highest earners

	Under £15,000	£15,001 to £25,000	£65,000 to £75,000	Over £75,000
Nothing	**24.00%**	**18.27%**	**10.26%**	**2.44%**
£1 to £500	**40.00%**	**25.38%**	**5.13%**	**14.63**
£501 to £5,000	**16.00%**	**24.87%**	**17.95%**	**21.95%**
£5,001 to £10,000	**9.00%**	**14.21%**	**20.51%**	**7.32%**
£10,001 to £15,000	**2.00%**	**6.09%**	**17.95%**	**12.20%**
£15,001 to £20,000	**2.00%**	**2.03%**	**7.69%**	**12.20%**
More than £20,000	**0.00%**	**2.54%**	**20.51%**	**29.27%**

7%

of those earning over £75,000 expect their parents to buy their first property for them

The correlation between those on lower incomes coming from lower income backgrounds is evident in our study. It was generally more likely that those on lower annual incomes grew up in council housing and families relied on benefits when growing up. Unsurprisingly, those on higher incomes were more likely to have been financially supported by their parents until they were aged 18, and were less likely to have student loans, as their parents or relatives paid for their university education.

Whilst the poor stay poor, those from wealthier families end up as higher income earners due to family support. Notably our data showed that 7% of those earning over £75,000 expect their parents to buy their first property for them, in comparison to 1% earning under £15,000.

15. Office for National Statistics – Births in England and Wales, 2020.

Delayed Adulthood

Clearly then, the lag between first-time buyers and their parent's generation in terms of accumulation of assets and savings has an impact on their financial situation. But what other societal impacts does a 'delayed adulthood' have on young adults today?

With the UK birth rate at a record low, it is hard to ignore the impact that financial instability has had on the life decisions of the younger generation.[15] The UK birth rate was already falling before the pandemic to levels lower than those seen during the 1930s depression, at 1.6 babies per woman in England and Wales. This is predicted to fall further to 1.45 by 2023, and at the same time, the age at which people have their first child is increasing too.

Our data revealed:

- More than a quarter of first-time buyers will delay/have delayed important life events & financial decisions because they want to own a property first
- More than a fifth claim they will delay/have delayed having children because they want to own a home first

31%

of 18 to 24 years-olds expect to delay having children in favour of owning a home first

But while homeownership is clearly a factor contributing to this decision - 18 to 24 years-old in particular expect to delay having children because they want to own a home first (31%) - other reasons, such as climate change, also influence the younger generation to not have children (25 to 34-year-olds are likely (13%) to not have children due to climate change). Men are 6% more likely than women to not want to have children due to reasons such as climate change.

With the UK birth rate already well below the 2.1 replacement level needed to keep the population level stable, thinktanks have raised concerns that this 'baby shortage' will have long-term economic and social impacts. The Social Market Foundation project that by 2050 a quarter of Britons will be over the age of 65.[18] This means fewer people in employment, and a higher share of older people who need economic support from the state. With one fifth of first-time buyers looking to delay having children because they would like to own a home first, it's clear that the financial stability offered through homeownership is a missing piece of the puzzle for young adults today as they consider what's next.

16. Sparrow, A., 2021. British 'baby shortage' could lead to economic decline, says thinktank.

The state of play for first-time buyers

The combination of high monthly rent prices, the inability to save money, and the staggering rise in the cost of housing has meant it is harder than ever for young people to get onto the property ladder.

Saving £200 a month, it would take a buyer[17]

24 years, 7 months
to save the average deposit

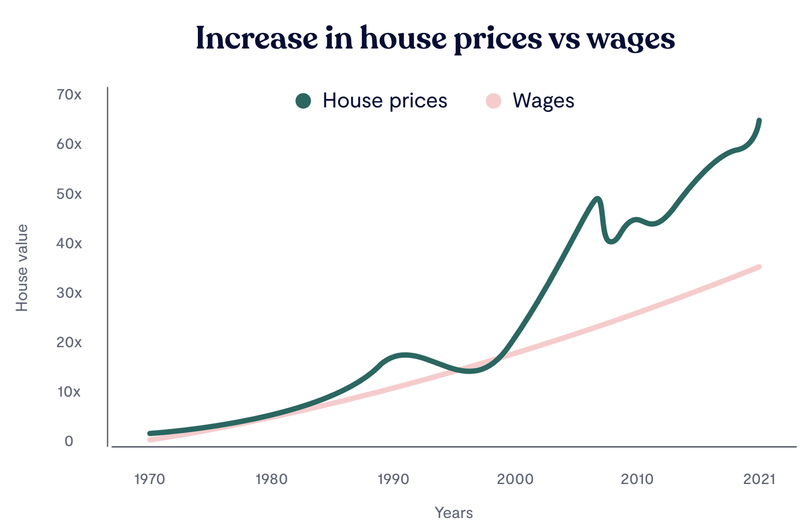
55 years, 10 months
to save the average London deposit

17. Abernethy, L. (2021, January 26). Average House deposit for !first-time buyers now £57,000 – after rising £10,000 in year. Metro.

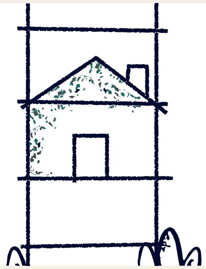
Some turn to the Bank of Mum and Dad, however, for many this isn't an option. For aspiring first-time buyers going it alone, this could mean decades of saving to secure chance at homeownership. And for renters, high housing costs make this level of saving difficult, if not impossible. One in five 25-34 year-olds spend over 60% of their income the same day it enters their account.[18]

The cost of homeownership

Comparative house price growth between the generations in the UK is undeniable. For more than 20 years, the cost of homes has outpaced the average rise in earnings. The average house in March 2021 cost a whopping 65 times more than the average UK home in January 1970 - while wages are only 35.8 times higher now compared to 51 years ago.[19]



Considering the economic environment that first time buyers find themselves in today, what then do they expect to pay for their first home? Our data found that first time buyers expect to pay a mean amount of £270,620.59 for their first home - a figure well out of reach for a person on the UK's median salary of £31,361[20] and slightly below the average house price in the UK of £271,000.[21]



£270,620

Mean house price for first-time buyers

In a similar way to our savings data, we noted discrepancies in expected house prices between genders, regions, and income:

- Whilst men expect to pay £286,448.88 for their first property, women expect to pay £258,592.17.
- Those looking to buy in Greater London naturally expect to pay a lot more than the overall mean amount, forking out an estimated £367,570.91 for their first home (not surprising, when the average house price in the capital is on average £261,893 more expensive than the rest of the UK).[22]
- The cheapest expected house price came from Scotland, with those in that demographic expecting to pay £195,892.79 for their first property.

18. BBC News. 2021. Why house prices are rising so fast in a pandemic.
19. Borrett, A., 2021. How UK house prices have soared ahead of average wages.
20. Annual Survey of Hours and Earnings, October 2021.
21. Office for National Statistics - UK House Price Index, July 2021.
22. Office for National Statistics - UK House Price Index, August 2021.

Our data shows that there is a steep difference in the price that the generations expect to pay/have paid for their first property:

- For first time buyers under the age of 45, they expect to purchase their first home at 33.8 years.
- Men are more likely to think that they will be over 35 when they buy their first home (41%),
- More women believe that they will be 25 to 34-years old when they buy (43%).

Amongst our data for homeowners, over 45-year-olds within this demographic on average reported buying their first home when they were 38.43 years old. Whilst this appears to be older than the age first time buyers predict to buy their first home, it's important to note that 55% of homeowners bought their first property by 34, whilst 78% of first time buyers *think* they will be 25 to 44-years-old when they buy.

Intergenerational empathy

Our data shows that on the whole, older homeowners feel sympathetic towards the plight of young adults today. The majority surveyed (83%) do agree that younger people now face more difficulties getting onto the property ladder than they did - with 55% 'strongly' agreeing.

As to whether older generations feel they have a part to play, the answer was more ambiguous. When we asked homeowners whether they felt guilty about the generational wealth gap between them and the younger generation, 41% agreed with this sentiment, and more than a quarter disagreed entirely. A general trend we noted was that the older the homeowner was, the less likely they were to feel guilt. Similarly, only 27% of homeowners earning £15,000 or less agreed to feeling guilty. In comparison, 53% of homeowners earning £55,001-£65,000 said that they felt guilty about this generational gap.

Homeowners over 55 who agree with the following statement: I think younger people now face more difficulties getting onto the property ladder than older people did?

	All	Aged 45 to 54	Aged 55 to 64	Aged 65 to 74	Aged 75 to 84	Aged 85+
Agree (net)	82.92%	82.97%	81.56%	85.27%	82.11%	80.00%
Strongly agree	54.56%	47.83%	56.62%	56.98%	60.00%	40.00%
Strongly agree	28.36%	35.14%	24.94%	28.29%	22.11%	40.00%
Strongly agree	11.58%	13.04%	11.43%	9.30%	13.68%	20.00%
Strongly agree	3.34%	2.54%	4.42%	2.71%	3.16%	0.00%
Strongly agree	2.16%	1.45%	2.60%	2.71%	1.05%	0.00%
Disagree (net)	5.50%	3.99%	7.01%	5.43%	4.21%	0.00%

Of the first-time buyers we surveyed, 70% stated that they felt jealousy towards the older generation regarding the economic climate they were able to buy in, compared to the state of play now.

In a similar way to feelings surrounding 'guilt', homeowners are divided in their views about how younger buyers should tackle the housing crisis. Regarding younger people and their ability to buy a house, 38% of our homeowners agreed with the following statement:

> *While I was able to buy a house on my own (or with my spouse), I believe young people have more difficult circumstances today and families should financially help young people to buy a house if they can.*

However, a further 35% agreed with the statement, with older age groups more likely to side with this opinion:

> *I had to save and buy a house on my own (or with my spouse). Young people today should have to do the same and not rely on family/loved ones.*

The same disparities of opinion occurred among homeowners on different income levels. Lower earners were more likely to feel that first time buyers should save rather than relying on family, and the wealthiest believed that families should help if they could.

Intergenerational support: the Bank of Mum and Dad

Regardless of differing opinions from the homebuying generation, almost a quarter (24%) of younger buyers said that they plan to buy with joint savings from them and their partner - with no additional financial help. Almost a fifth (19%) expect to buy with joint savings from them and their partner, and a deposit contribution from parents.

How are under 45-year-olds buying their first home?

My partner and I will buy together with our joint savings, and no additional financial help	**20.04%**
My partner and I will buy together with our joint savings, as well as a deposit contribution from parents	**18.55%**
I will buy on my own with my own savings, and no additional financial help	**17.96%**
I will buy on my own with my own savings, as well as a deposit contribution from my parents	**13.84%**
I will buy with a family member with our joint savings, and no additional financial help	**7.07%**
My parents will help me with a mortgage guarantee	**6.77%**
I will buy with a friend with our joint savings, and no additional financial help	**5.00%**
None of these	**4.91%**
My parents are buying the property for me	**1.86%**

When it comes to gender:

- Women were more likely than men to say they will be buying with joint savings from them and their partner and no additional financial help (30%), compared to men (17%).
- Men were more likely than women to be buying on their own with their savings and a deposit contribution from parents (17% versus 12%).

Whilst this could reflect earnings discrepancies between genders, it also makes reference to the notable self-promotion gap between men and women.[23]

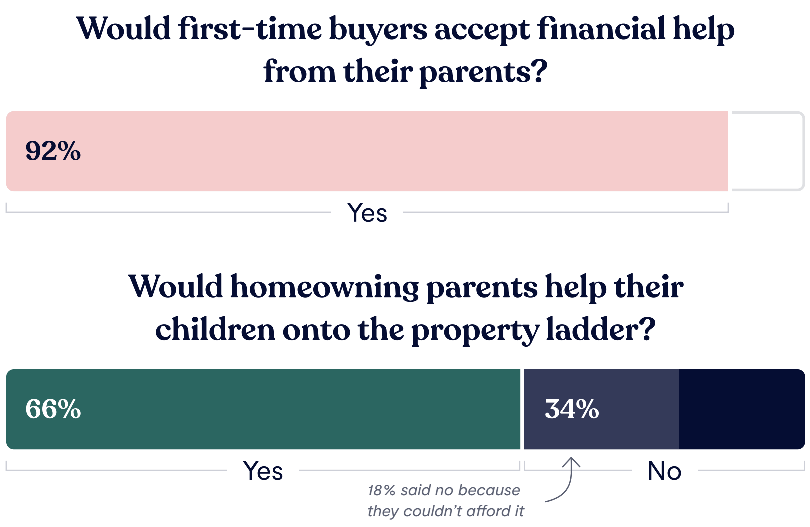
Amongst the group that said their parents would help them buy, striking 50% of first time buyers said that they would not be able to afford without this financial help from their parents. And, whilst 54% of our study indicated that they would not be getting any financial help from their family to buy their home, it's not for lack of wanting: almost all (92%) of our first time buyers said that they would accept money from their family for their first home - and more 41% of this demographic would accept this as a gift. A third would only accept it as loan, 7% would accept it as inheritance, and an interesting 11% would only take the money if no one else knew about it.

50%

of people buying a home with the help of their parents would not be able to buy without it

A survey conducted by Virgin Media demonstrated that nearly half of adults in the UK rely on their parents for money; and whilst 7 in 10 of the study were happy for the financial assistance, they also felt embarrassed for accepting the help. The youngest of our study were the happiest to accept money (94%), whilst the older first time buyers (35 to 44 years-old) were the most likely to say that they would only accept if no one knew about it (12%) or via inheritance (11%).

So, we have a picture of what the kids are thinking. However, would the parents be willing to reciprocate?



66% of homeowners with children said that they would be happy to help their kids onto the property ladder - with a further 18% of homeowners saying that they would be willing to help, but they just can't afford it.

The intent to help the younger generation is certainly there - with 84% wanting to assist their children onto the ladder.

23. Exley, C. L., & Kessler, J. B. (2019, October 7). The gender gap in self-promotion. NBER.

From our homeowners, the oldest of the cohort were less receptive to helping their children onto the property ladder - 18% of 75 to 84-year-olds were the most likely to say that they want their children to save and buy on their own. Interestingly, this is also the age group that agreed with the statement: 'I had to save and buy house on my own (or with my spouse). Young people today should have to do the same and not rely on family/loved ones'.

The effects of the inflated housing market in Greater London also appear in our study. Almost one in 10 of Greater London homeowners say they plan to give or buy property to their children. On the other side of the coin, 24% of homeowners in the West Midlands were most likely to say that they can't afford to help their children onto the property ladder. Research from the Office for National Statistics has shown that London and the South East outperform other UK regions and countries in terms of productivity, human capital and wages, with little indication of the other regions and countries catching up.[24]

Among different incomes, unsurprisingly, homeowners earning more than £75,000 are most likely to help their children onto the property ladder (76%), while lower income families are least likely (32% of those earning under £15,000 and 33% of those earning £15,001-25,000).

Research from the Institute of Fiscal Studies has demonstrated that the children of wealthier parents are significantly more likely to be homeowners by the age of 30; and this is not just because of the increased likelihood that the children of the wealthy have better access to education and consequently higher paying jobs. In fact, for given level of earnings, those with the wealthiest parents had 17% higher likelihood of homeownership at 30, compared to those with parents in the poorest third.[25]

24. Office for National Statistics. (n.d.). Analysing regional economic and well-being trends. Analysing regional economic and well-being trends - Office for National Statistics.

25. Davenport, A., Levell, P., & Sturrock, D. (2021, September 8). Why do wealthy parents have wealthy children? IFS.

While the Bank of Mum and Dad is still a huge contributor to home ownership, lending around £6 billion each year, most families simply will not have the tens of thousands of pounds needed to help their child's deposit.

So what are families' options in making it work aside from cash?

Let the kids move in: If you have the space, letting younger relatives move into the family home eliminates their rent costs and can help them save cash. However, this can take time - so be prepared for this to last for years, not months.

Downsize your home: some parents may wish to move to a smaller or less expensive property once they're empty nesters, which could in turn allow you to release some funds to pass onto loved ones. There can also be inheritance tax benefits from this by retaining assets in your home rather than in cash or investments.

Buy a property with your child: Jointly buying a property with your child can increase their affordability. The main hurdle to tackle is the amount you can borrow and the mortgage term. How much income you can add to your child's mortgage will be determined by your earnings, outgoings, and credit history, and there is also an upper age limit on when mortgages need to be repaid (often 75 to 80-years-old) which could restrict the mortgage term, and drive up monthly repayments.

Allocate income to the mortgage: With an Income Boost (also known as a Joint Borrower Sole Proprietor mortgage) you'll be on the mortgage but not a co-owner of the property. This means you can boost your loved one's borrowing power without any tax implications to yourself. You can arrange with your child/homebuyer that you won't make repayments, but the risk remains that if something goes wrong you would be liable for the mortgage. Similarly to guarantor mortgages and co-owning, there is also an age limit on how old you can be at the end of the mortgage. For most lenders that is 75. For a typical 25-year mortgage, that would mean you would need to be no older than 50 at the time the mortgage was arranged.

Unlock money from your property: Chances are, your home is now worth significantly more than it was when you bought it, so why not share some of those gains with your loved ones. Tembo specialises in helping families unlock funds from property in a safe and ethical way so that they can support getting their children onto the property ladder. A Deposit Boost uses a range of loans to do this, including the recently authorised Retirement Interest Only mortgage. You can borrow right up to the age of 90, and the products are flexible meaning you can set the term of the loan to suit your needs. The downside is you need to go through an affordability test, so having pension income either now or in the future is essential.

Income Boost Case Study

Rachel & her Booster, Simon

Previous affordability	Affordability with Boost
£115,000	**£319,000**

Living with her parents for the last 3 years while saving for a deposit, Rachel, 28, was desperate to buy her first house and move out of her family home. As an assistant psychologist working for the NHS on a £26,365 salary, she was being priced out of the market in Southeast London. Luckily, Tembo was on hand to boost Rachel's affordability with an Income Boost, so she could move out of her family home and finally buy her own property.

Despite working hard to save a £30,000 deposit, Rachel knew it would be impossible to find a mortgage on her salary as an assistant psychologist. What's more, renting or living in a house share was not an option for Rachel for a few reasons. Firstly, she has a dog and secondly, she wouldn't have been able to continue saving a deposit while paying London rental prices.

> *Without Tembo, I would have been living at home for at least another 5 years. I didn't want to rent, as it wasn't right for me, and I would have lost the deposit I worked so hard to save for over the years.' **– Rachel***

Having come across Tembo looking for guarantor mortgages, Rachel had a chat with one of Tembo's mortgage experts who helped her with the options that would best suit her specific needs. Rachel's dad, Simon, 53, who had always known that it would be challenging for her to get onto the ladder with a lower salary, was keen to help out. After a few calls with our broker Shahid, having explained all the details, Rachel and Simon were recommended an Income Boost - known more commonly as a Joint Borrower Sole Proprietor mortgage

With an Income Boost from Simon's £123,000 income, Rachel's affordability was raised from £115,000 to £319,000. This meant she was eligible for a £255,000 mortgage, and could consequently buy a two-bed flat worth £285,000 in the area of her choosing.

An Income Boost mortgage, also known as Joint Borrower Sole Proprietor (JBSP) mortgage is a way of adding some or all of a family member or friend's income to a mortgage to increase the buyer's max borrowing. Unlike standard joint mortgages the additional borrower will not own the property or be named on the deeds.

The great wealth transfer

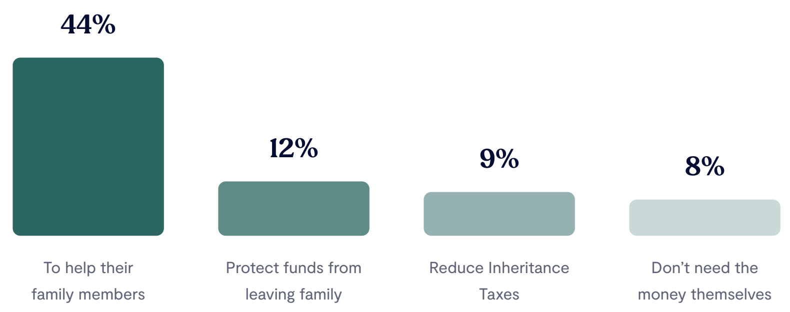
Over the next 30 years, £5.5 trillion is predicted to be transferred between the generations, as Baby Boomers – who currently control around 80% of UK private wealth begin to pass on inheritance to their children and grandchildren.[26] Thanks to huge rises in asset values – in particular housing and pension wealth, even Boosters with the most modest incomes will pass on significant inheritances.[27]

26. Melling, C. (2021, April 27). What are the real implications of intergenerational wealth transfer? FTAdviser.com.
27. Willetts, D. (2021, September 30). Generations by Bobby Duffy – Age concerns. Financial Times.

So what drives homeowners to share personal assets with the family?

Of our surveyed homeowners, 44% said the most important reason to them was to help their family members, 12% said it was to protect funds from leaving the immediate family, 9% said to reduce inheritance taxes, and 8% said that they don't need the money themselves.

Why do homeowners share personal assets with family?



Whilst it may be easy to paint a picture of greedy Boomers and whining Millennials pitted against each other in generational battle, the importance of familial ties and intergenerational empathy is evident in our study. Almost half of our study said that the distribution of their personal wealth was to help their family members. It's important to not underestimate the reciprocity that family members generally feel towards each other, and that kinship, and the support that family provides for each other, is the building block upon which society functions.

How then can the assets be passed on through the family in an ethical and efficient way?

Inheritance tax is an ever present consideration for many of the older generation, with 9% of our study saying the main reason they want to pass on their wealth is to reduce their tax liability. The impact of the seven year rule32 means that families should discuss passing on wealth in advance in order to avoid a hefty bill in the future.

An alternative option to this is to consider a Deposit Boost with Tembo. A Deposit Boost is a way for homeowners to help a loved one get onto the property ladder, without needing to touch savings or investments. There are also potential inheritance tax benefits, thanks to the early gifting of assets.

Through a loan or a remortgage, a Deposit Boost unlocks money from the homeowner's existing property to top up their home buyer's deposit or create one from scratch. With the younger generation facing the hardest of financial environments to save money, and the majority of first time buyers spending 8 years trying to save a deposit33, this product can be a great option for those wishing to distribute accumulated wealth to benefit their family.

28. How inheritance tax works: Thresholds, rules and allowances. GOV.UK. (n.d.).
29. Palumbo, D. (2018, January 4). Buying a home: How long does it take to save a deposit? BBC News.

Deposit Boost Case Study

Kitty & her Booster, Jane

Existing deposit	Deposit boost	New deposit
£35,000	£60,000	£95,000

Renting a one-bed flat with a newborn baby, Kitty and her partner Ben were desperate to buy their first home, but property prices in Surrey were putting a hold on their plans. Luckily, Tembo was on hand to unlock money from Kitty's parent's property with Deposit Boost - getting them into the 3-bedroom home they so needed for their growing family.

Despite having a healthy deposit saved, Kitty Purcell, 25, and her fiancée Ben knew it would be difficult to get a mortgage on their salaries as a charity worker and apprentice. Plus, with a baby on the way, it was becoming very clear their one-bedroom flat wouldn't work for a growing family. While renting was a possibility, they found that their monthly rental payments would cost more than mortgage repayments.

Kitty and Ben looked at Shared Ownership, but were shocked by the waiting times and found that the property prices were still out of reach. Faced with going North to find lower property prices & losing their vital support network, Kitty's mum Jane suggested they could help. That's how Kitty found Tembo.

Kitty used Tembo's online calculator to see if she was eligible & booked an appointment with an advisor to discuss further. After a few calls, Jane and her husband decided to release £60,000 from their property. They chose a Retirement Interest Only mortgage, as lower monthly payments were most important to them.

> *You always want to help your child, no matter what age they are. Now Kitty is in a home with more room and a garden, their home is a different world to the one-bedroom flat. Paying £120 per month doesn't really bother us - property is so expensive in our area, and the alternative would have been Kitty & Ben moving out of the area. If anyone is in a similar situation, they should consider it.*
> ***– Jane***

With their new £95,000 deposit, Kitty & Ben were able to buy in the area. They found their perfect home in June, and with a 34% deposit, Tembo was able to find them a 3-year fixed mortgage on a very competitive rate of 1.72%.

A Deposit Boost is a form of remortgage taken out by your family member or friend on their property. The proceeds are then gifted to the buyer to put towards their deposit.

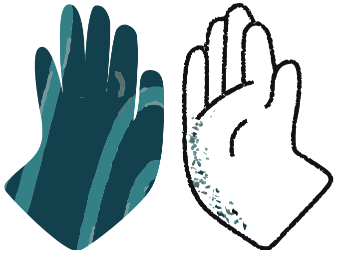
Conclusion

For all the stats our survey has produced, there is one glaringly obvious conclusion to be drawn: that today's economic climate has made it harder than ever for younger generations to buy their first home. This was accepted and validated by both the first-time buyers we surveyed, and older homeowners. In contrast, homeowners have undoubtedly had advantages that have meant that they were able to get on the property ladder at a younger age, and have been able to accumulate significant wealth thanks to a booming housing market.

However, it would be unfair to suggest that this has led to generational self interest - our survey showed an understanding and empathy between generations. Put simply, familial bonds - between parents, grandparents, kids and relatives provide an emotional connection, but also an opportunity to distribute wealth more evenly between generational cohorts.

With a vast amount of wealth tied up in property, older generations may increasingly consider options which allow for an 'early inheritance', the benefits of which would be huge for both younger and older family members. With increased financial security, young people would be able to pursue their life milestones sooner, whether it be having children or otherwise - and importantly could find their independence.

Access to homeownership is a deep running and systemic issue that requires innovation from across the board. It's not something that should be possible only for the wealthiest, or those who have access to large sums of cash. By utilising and distributing the wealth that the older generation has accumulated more effectively, more youngsters than ever are will be able to access the security and safety that homeownership offers. The power of family can level the playing field for would-be homebuyers, and offer equal opportunities across the generations.



Tembo provides a way for people to support their loved ones into homeownership in an ethical and affordable way.

To find out more, visit **tembomoney.com**

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Want to discuss your situation further?

Book a free, no obligation call with one of our mortgage experts to understand more about how a Boost could help first-time buyer get on the property ladder.

Get started

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