Traditionalists, the 'Silent Generation':

Pre-1945

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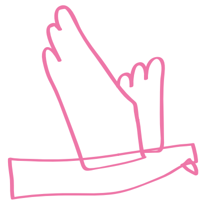
As the wealthiest elderly generation ever seen, ‘Traditionalists’ face unique financial challenges as they balance lifestyle with the implications of their longevity.



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Being old has never been so great – the silent generation is living in expensive houses, going on holidays to die for and, apparently, still enjoying an active love life. But while their own finances may be in rude health, the financial turmoil being experienced by their relatively impoverished children and grandchildren is a source of stress not helped by a tax system that complicates transfers of income between generations.

Those born between 1928 and 1945 were dubbed "The Lucky Few" by American historian and economist Neil Howe because they were relatively small in number and yet made the biggest generational leaps in education, affluence and life expectancy in history. Their childhood and youth may have been shaped by war and economic depressions but they were lucky to enjoy almost full employment and prosperity in their later life with the post-war economic boom of the 1950s.

Their exit from the job market ahead of the recent recession combined with a diversified approach to investing, rebounding share and home values and good savings habits, has made them the richest old generation we've ever seen. Another empirical explanation for their considerable assets is the ageing population and the fact that large numbers of Silent Generation members are living to ripe old ages.

There are now 1.5 million people aged 85 or over living in the UK and this figure is predicted to more than double in the next 23 years to over 3.4 million according to Age UK. The number of UK centenarians has also risen – by 72% over the last decade – and nearly one in five people are likely to live to see their 100th birthday. Not surprisingly, healthcare provision is high on the agenda.

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While staying in the comfort and familiar surroundings of your home may be the preferable option as you move into later life, the cost of home care, even at a basic level, is high. According to the UK Care Guide, just one hour of care per day can cost around £7,000 per year. Meanwhile, with full-time home care starting from £30,000 per year and life expectancy hitting 79.4 years for men and 83.1 years for women according to The Office for National Statistics, the financial implications of care are a serious consideration. However, restructuring wealth can help maximise income to cover care home fees, while maintaining capital tax-efficiently will improve the inheritance position.

Traditionalists face their own unique financial challenges. While most are fiscally conservative and are among the lucky few to receive lifetime pensions, they value their lifestyle and independence and underestimate the implications of their longevity. Although its worth noting that among many couples from this generation, one spouse is generally responsible for the family finances and when the financially-savvy spouse falls ill or passes away, dealing with the fallout of often complex financial situations can become a major challenge.

Despite coming into prosperity in their later life, benefitting from the housing boom and large pension payouts, traditionalists are not large spenders; perhaps as a result of their waste-not, want-not mentality.

A major source of stress is how to pass on that wealth to following generations in the most tax efficient way. That said, many routinely pay for extended-family holidays or subsidise their grown-up Baby Boomer or Generation X-er children. Many have also set up trust funds for their grandchildren.

Meanwhile, more than a decade of falling or ultra-low interest rates prompts questions over the investment vehicles most likely to generate decent returns to sustain their lifestyles. That said, research[1] has found that the Silent Generation, those older than 74, feel particularly lucky with their cash.

1 Research by Hargreaves Lansdown (December 2016)

Big numbers

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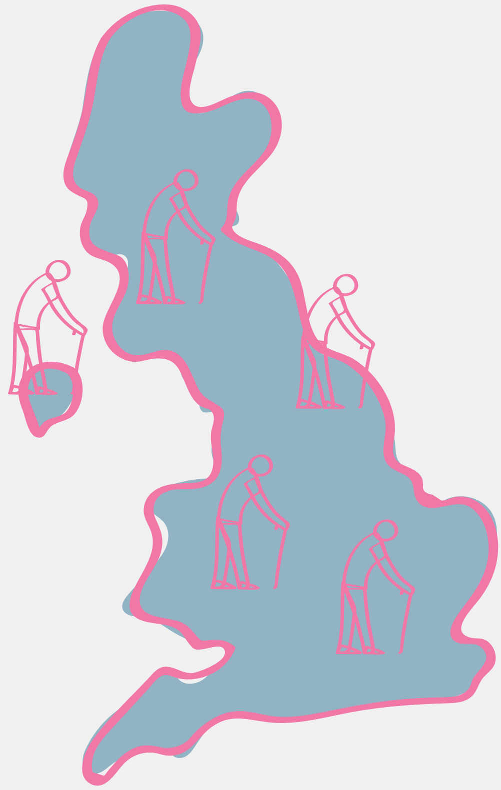
1.5m

People aged 85 or over living in the UK

3.4m

The expected figure in 23 years



72%

The number of UK Centenarians has risen by over the last decade

1 in 5

People are likely to live to see their 100th birthday

£7,000

The cost of just one hour of care per day

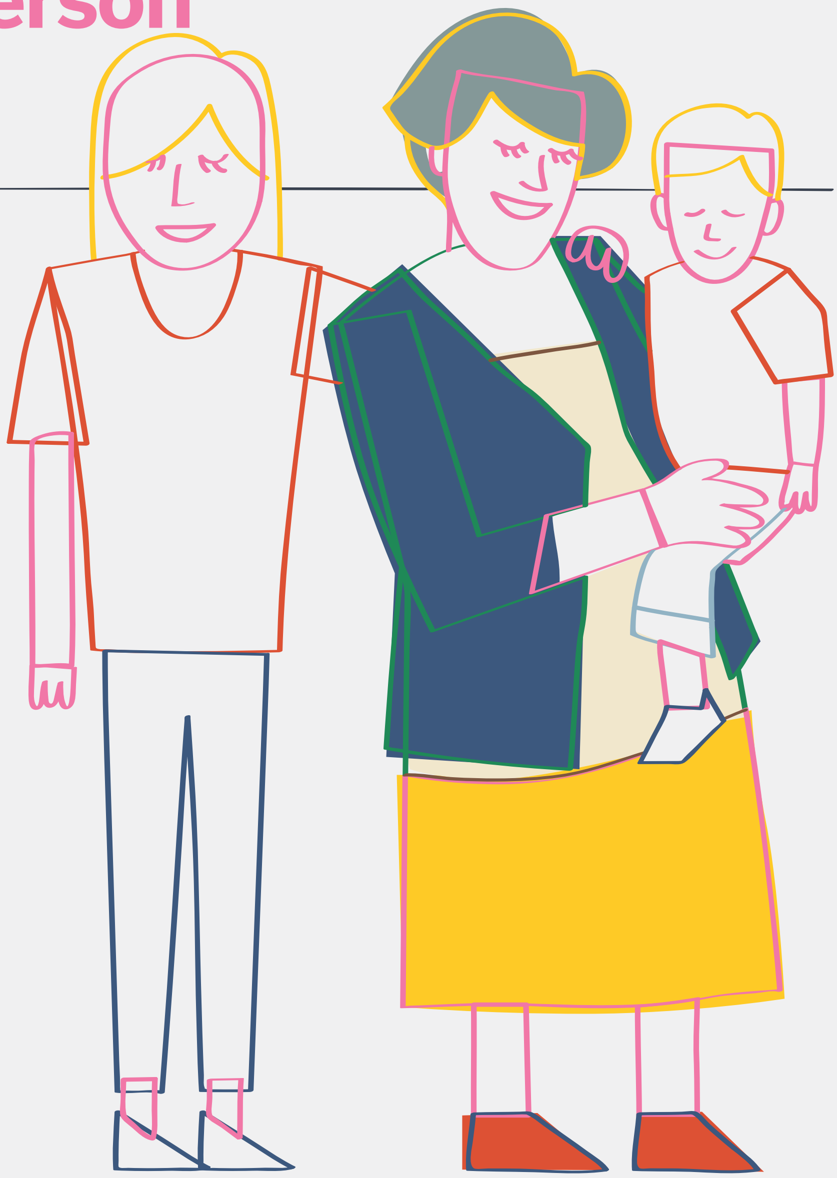
£30,000

The cost of home care per year

Case Study:

Ruth Sanderson

What are my longer term options for health care?



Ruth Sanderson, aged 78 and widowed, continues to live independently at home but more recently some minor health issues have led her to think longer term about her options for care. She would like to stay in the area close to her two children and their families, with whom she has a close relationship.

While keen to remain at home for as long as possible, she is happy to consider a local care home and is keen to explore the other options available to her including care at home. Is one approach more tax-efficient than another, she wonders? Initial research suggests that Ruth's care home fees will start at around £54,000 a year. She wonders what would be the best way of covering the shortfall in care costs from her pension without necessarily dipping into her savings.

The family home was recently valued at around £1.2m and she receives an annual pension of around £50,000. She would like to leave as much as possible to her two children and is keen to explore her options for maximising their inheritance.

Ruth contributes to the private school fees of her three grandchildren and is keen to ensure that there is money in the pot to pay for university for all three, should the need arise. What is the most tax efficient way of putting money to one side for them?

In the meantime, Ruth loves to travel and spends around 10 weeks of the year abroad. Historically her savings have funded her lifestyle but more recently low interest rates have failed to give her much of a return. Is it worth looking to alternative investment vehicles at this stage of her life? She has a small share portfolio and life assurance based trusts set up by her late husband but hasn't paid any attention to it since he died almost 10 years ago.

Top Tips —— Traditionalists, the 'Silent Generation': Pre-1945

Anna Murdock
Head of Wealth Planning

1. To maximise her legacy and benefit her children she should consider mitigating her inheritance tax liability, possibly by utilising gift allowances. It can make sense to maximise all the tax free investing options such as investing in JISAs on behalf of her grandchildren

2. To ensure she has enough cover for the care home fees, should she need it, it's worth assessing all her financial affairs to check they are in order and to fund the care costs from the optimal source

3. Ensuring a will and power of attorney are in place can help her beneficiaries, as will talking to them about her plans

4. To ensure that the trusts will still meet their original objectives, trust deeds should be reviewed by a legal professional. Replacement or additional trustees may need to be added to mirror the executors and/or attorneys appointed

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