

Asset Accumulation, Decumulation and Transfer

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Friday June 17th 2008

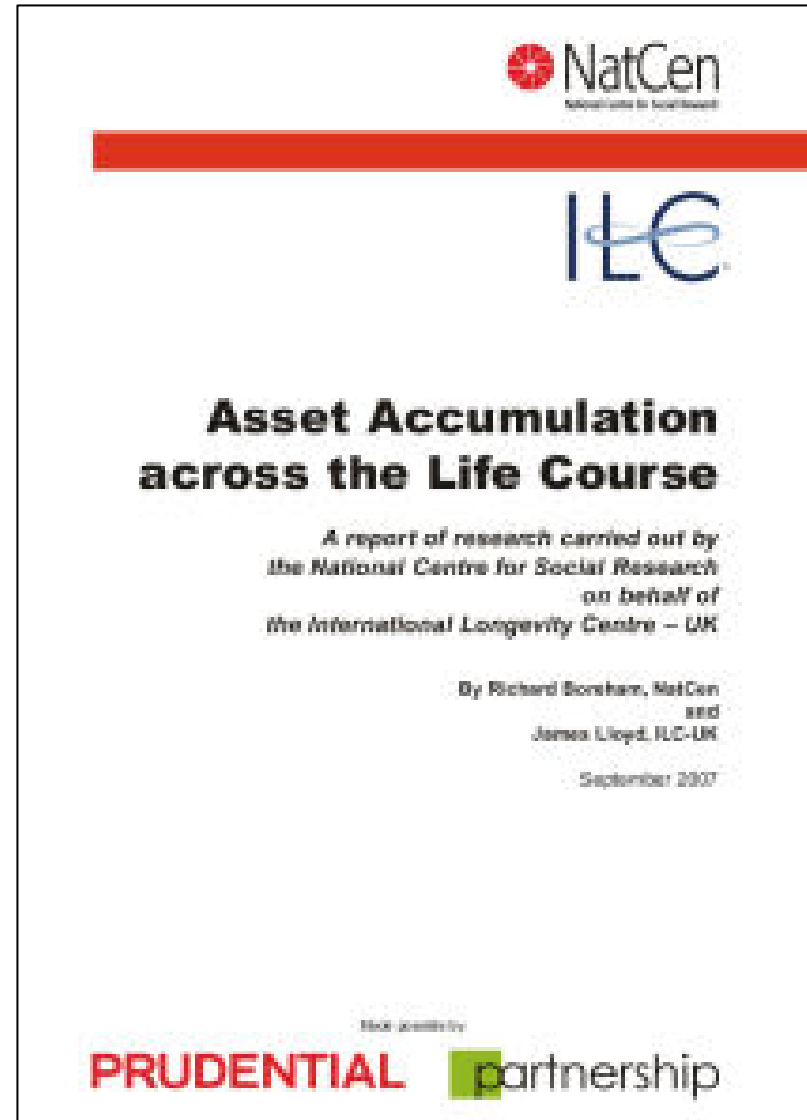
Judge Business School, Cambridge
University



About the ILC-UK

- International Longevity Centre – UK
- Independent non-partisan think-tank focusing on ageing, longevity and population change.
- Role is to undertake research, promote ideas and provide a forum for debate.
- www.ilcuk.org.uk

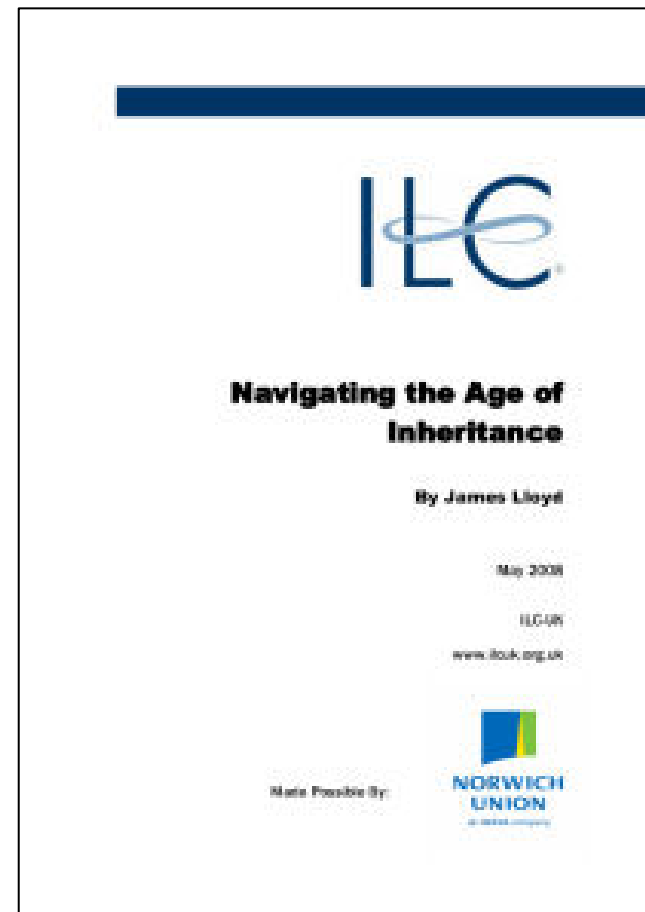
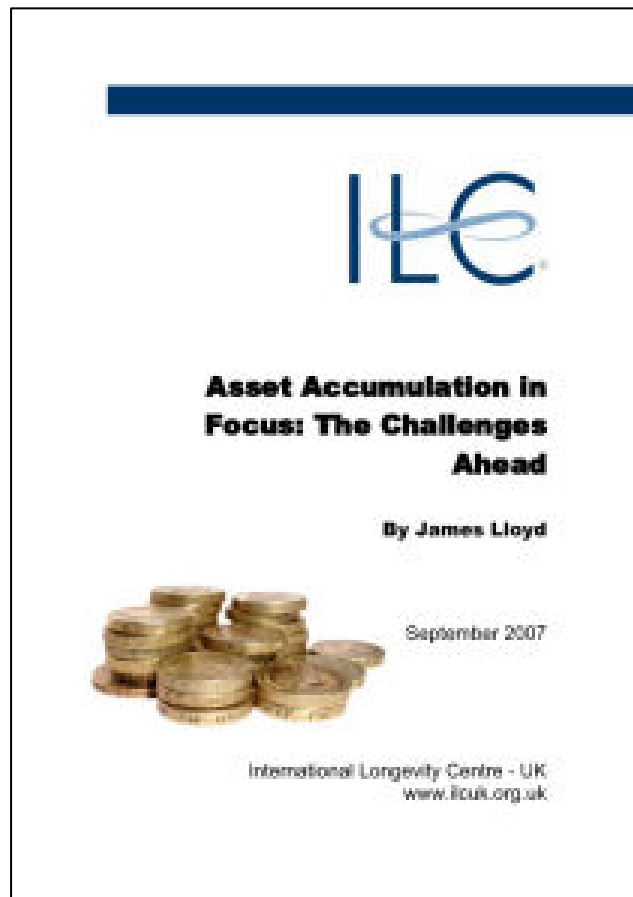
- Published September 2007.
- Analysis by *NatCen*.
- Supported by *Prudential* and *Partnership*.



- Published May 2008.
- Analysis by *NatCen*.
- Supported by *Norwich Union*.



Accompanying discussion papers:

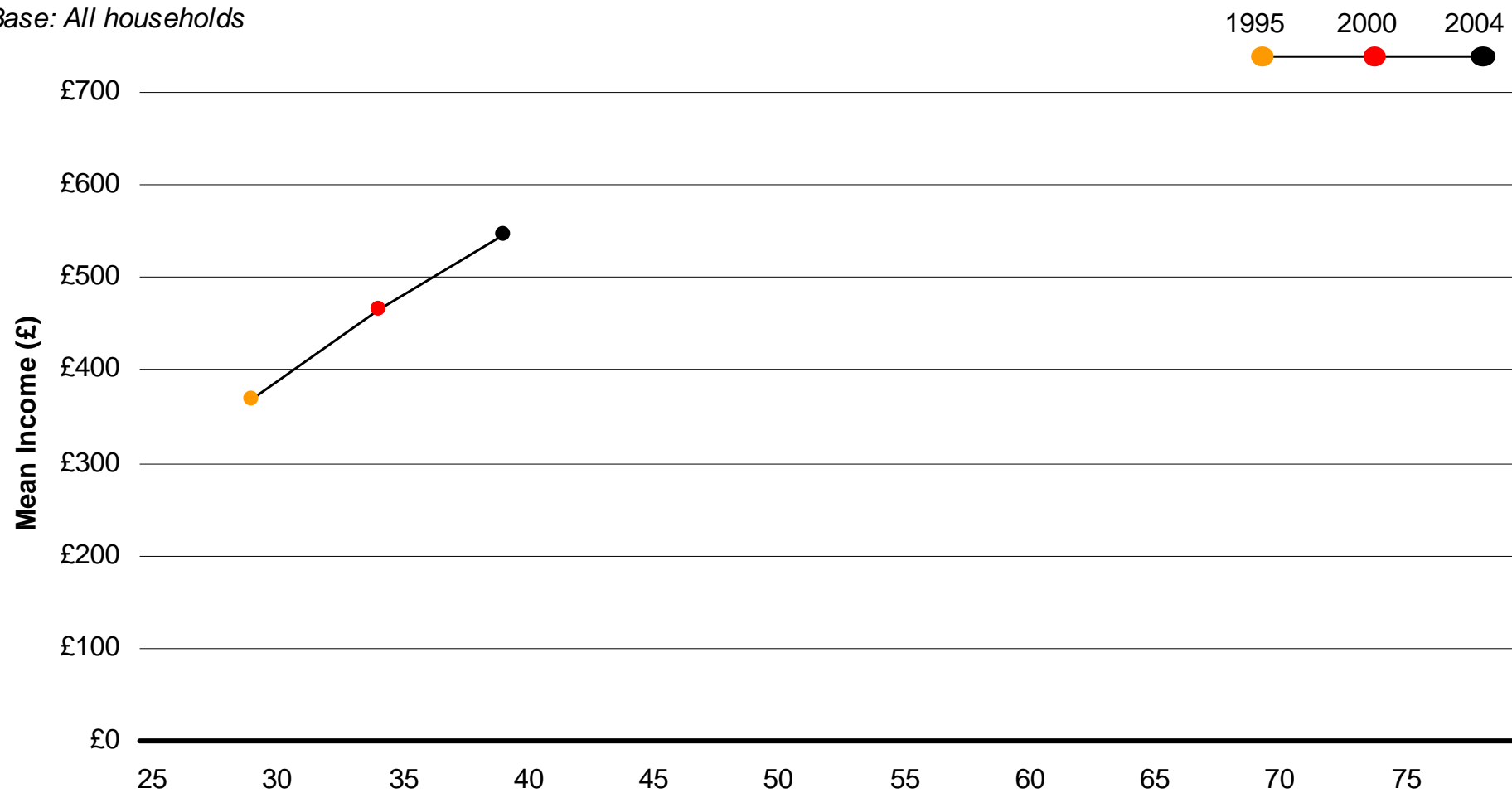


Asset Accumulation across the Life Course

- Analysed data from the British Household Panel Survey (BHPS) for the years 1995, 2000 and 2005.
- Focused on changes in non-pension household wealth, by age of 'household representative person'.
- Controlled for inflation using CPI.

Presenting Trends

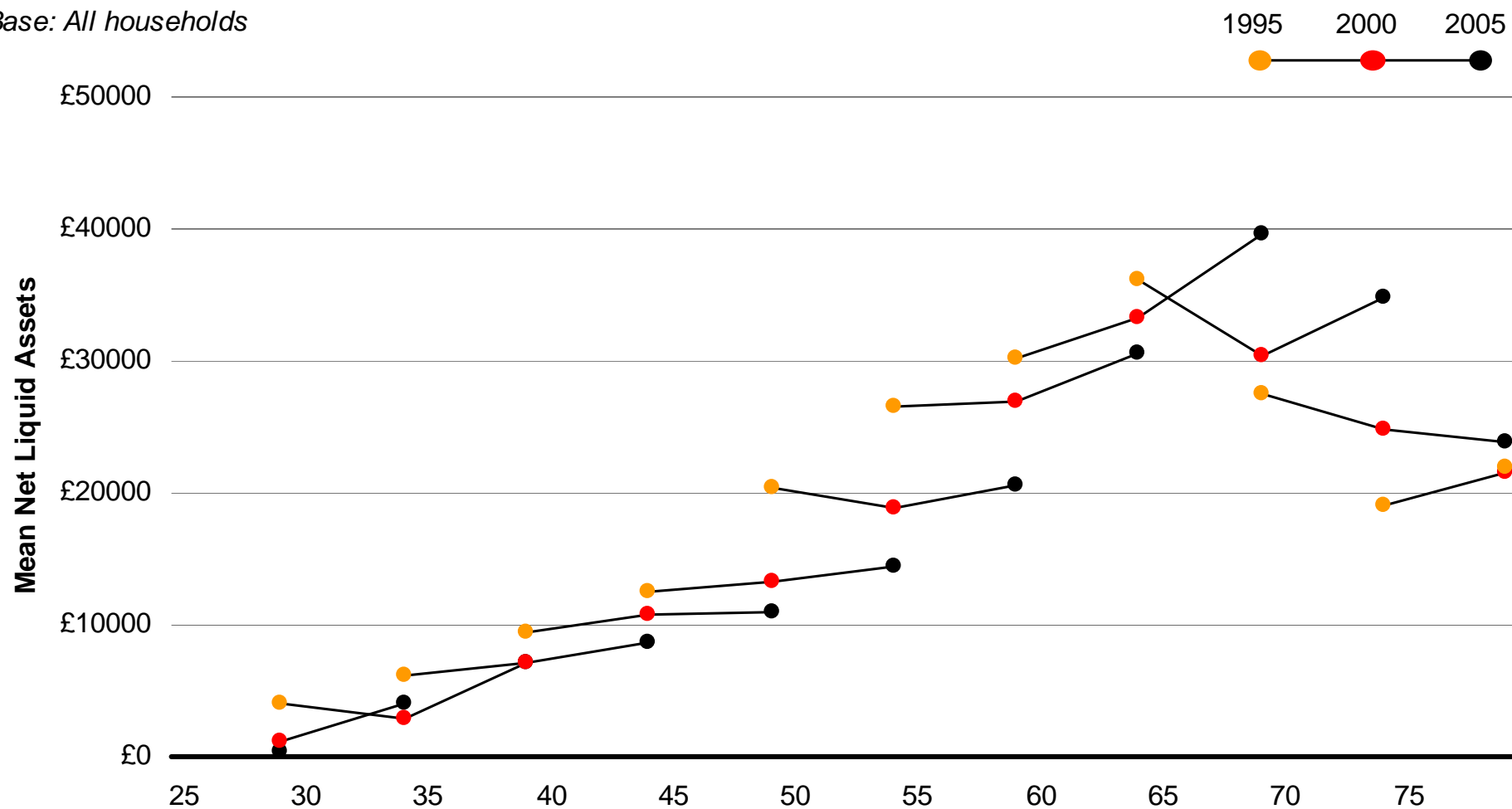
Base: All households



Key Findings:

Trend in Mean Net Liquid Assets

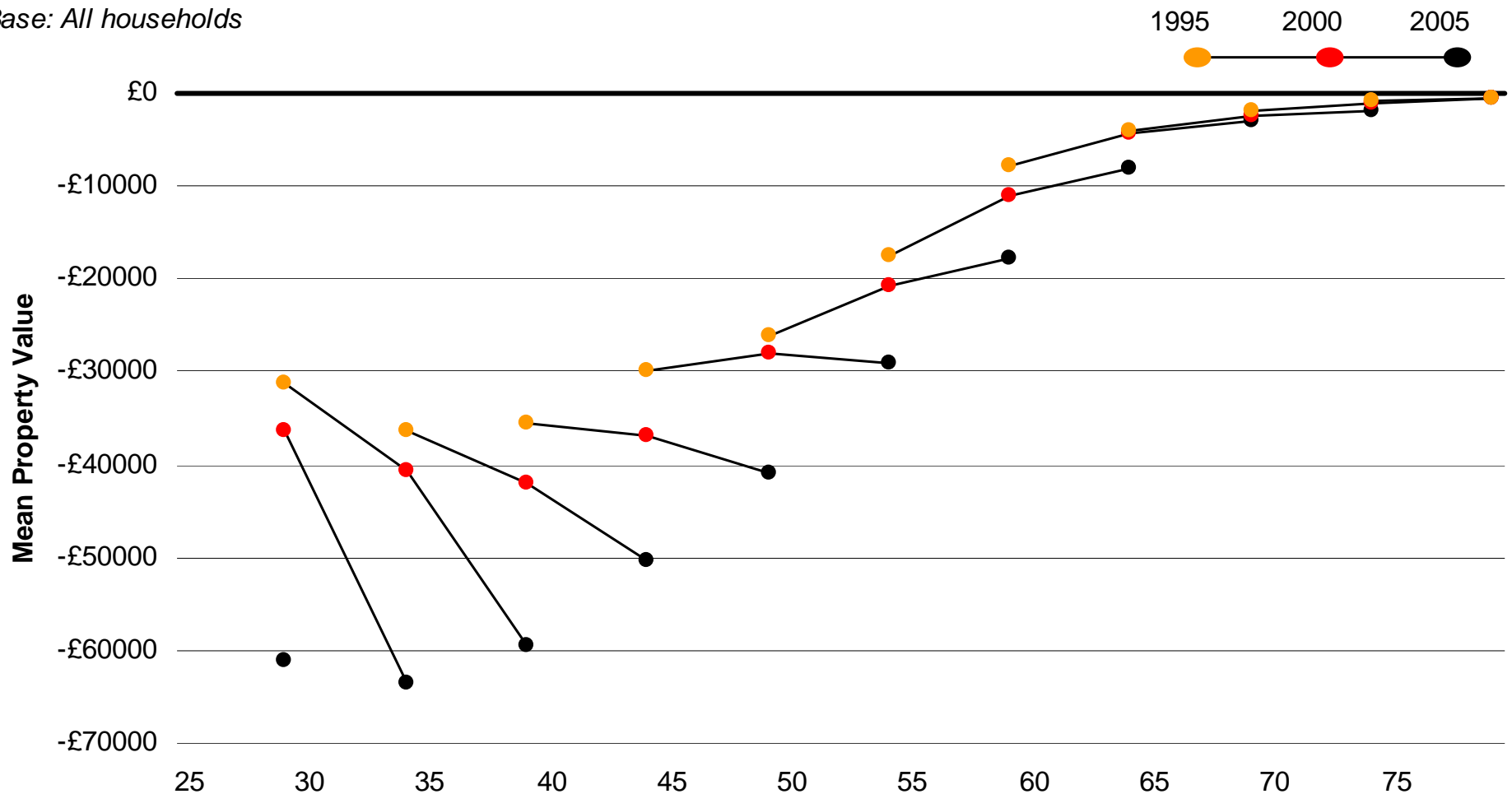
Base: All households



Trend in Mean Household Mortgage Debt

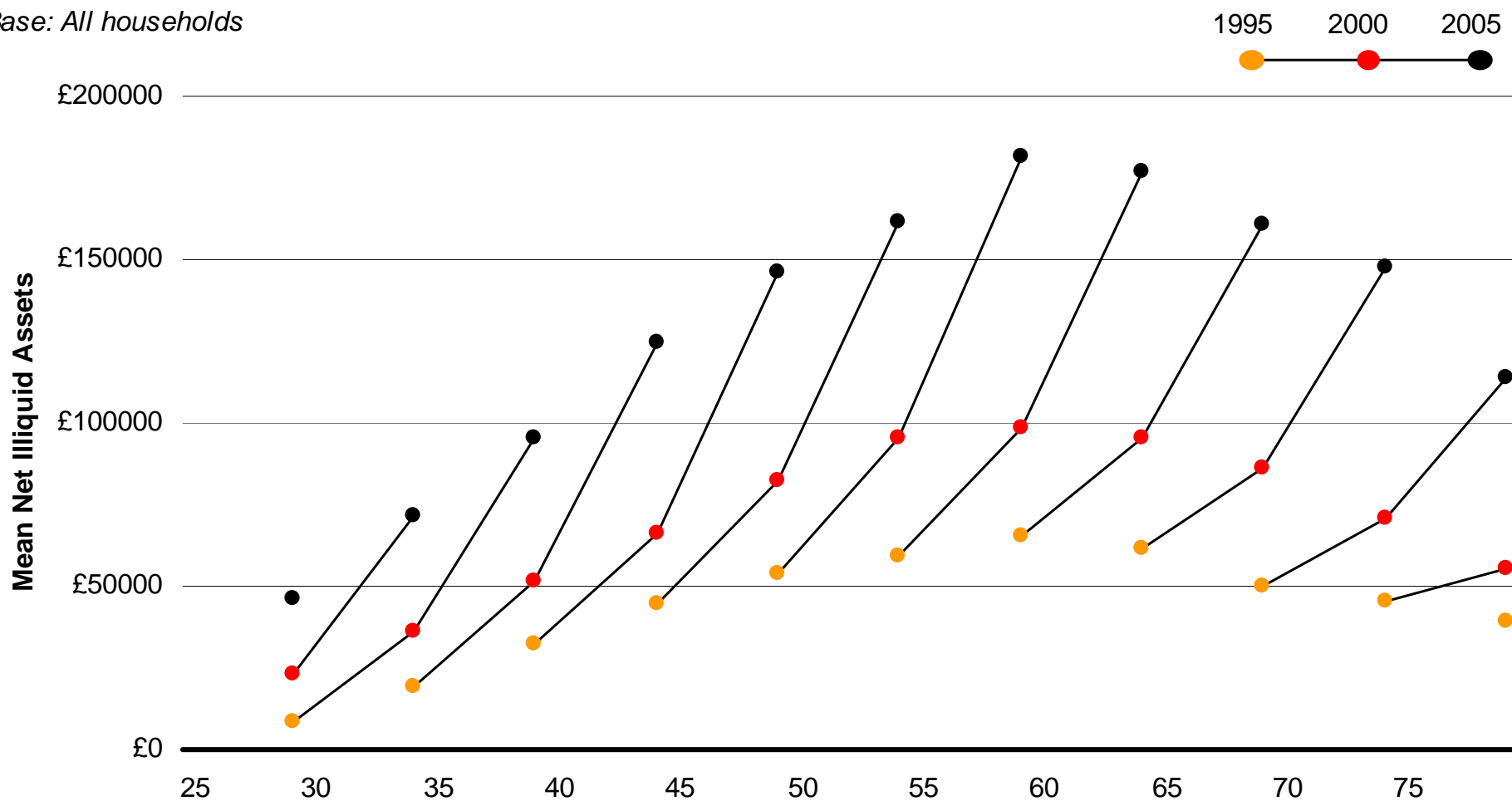


Base: All households



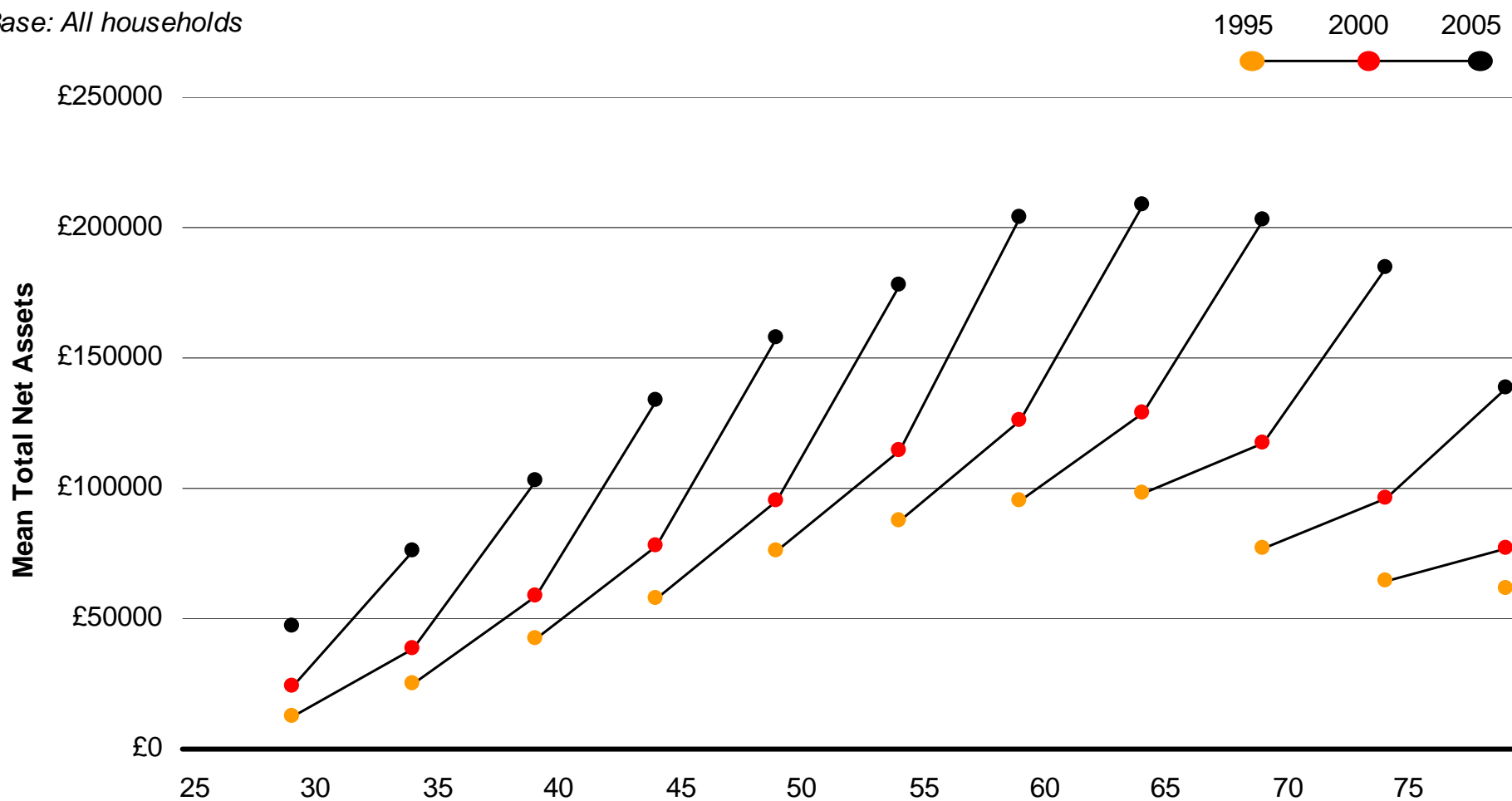
Trend in Mean Net Illiquid Assets

Base: All households



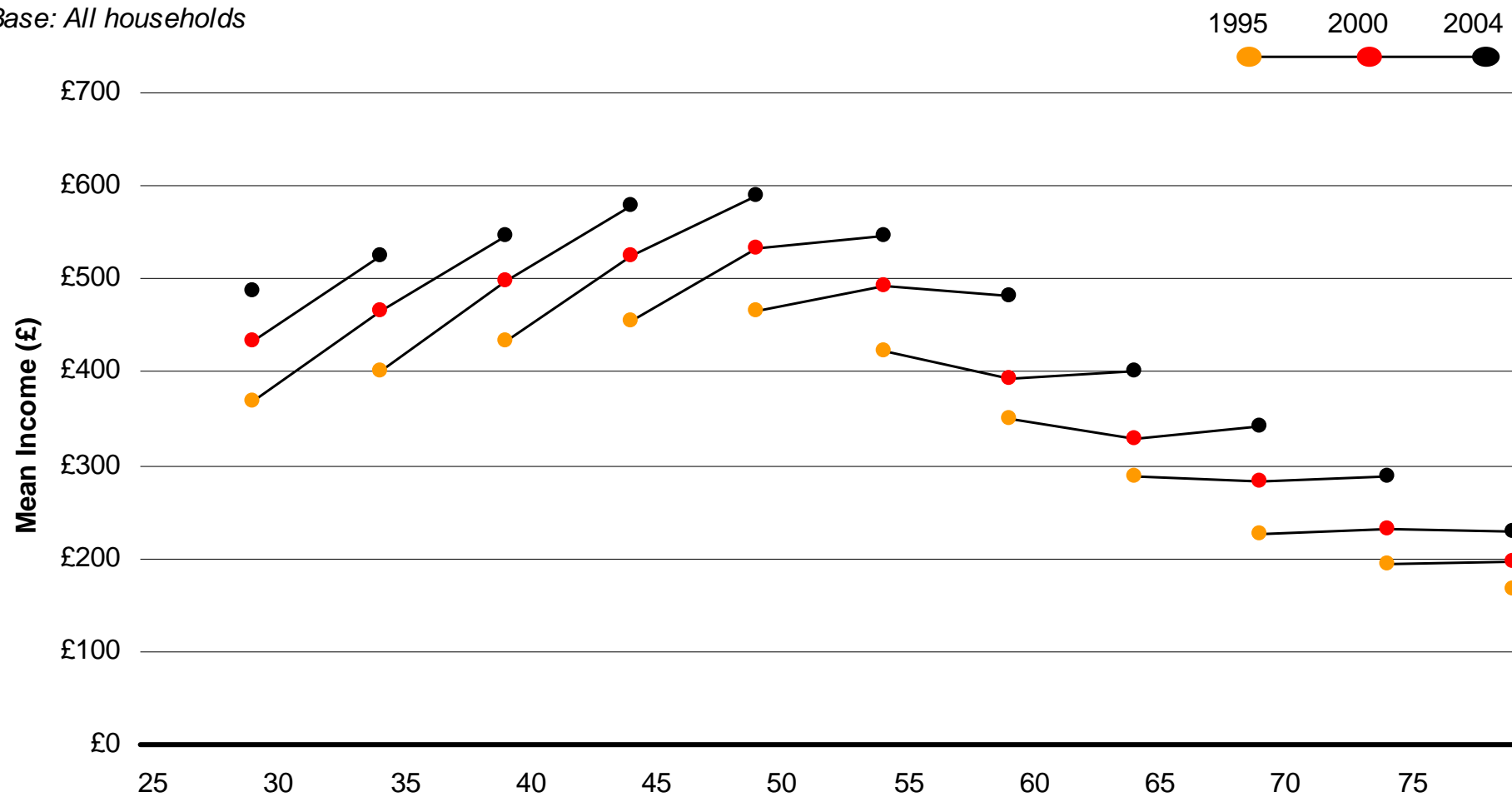
Trend in Mean Total Net Assets

Base: All households



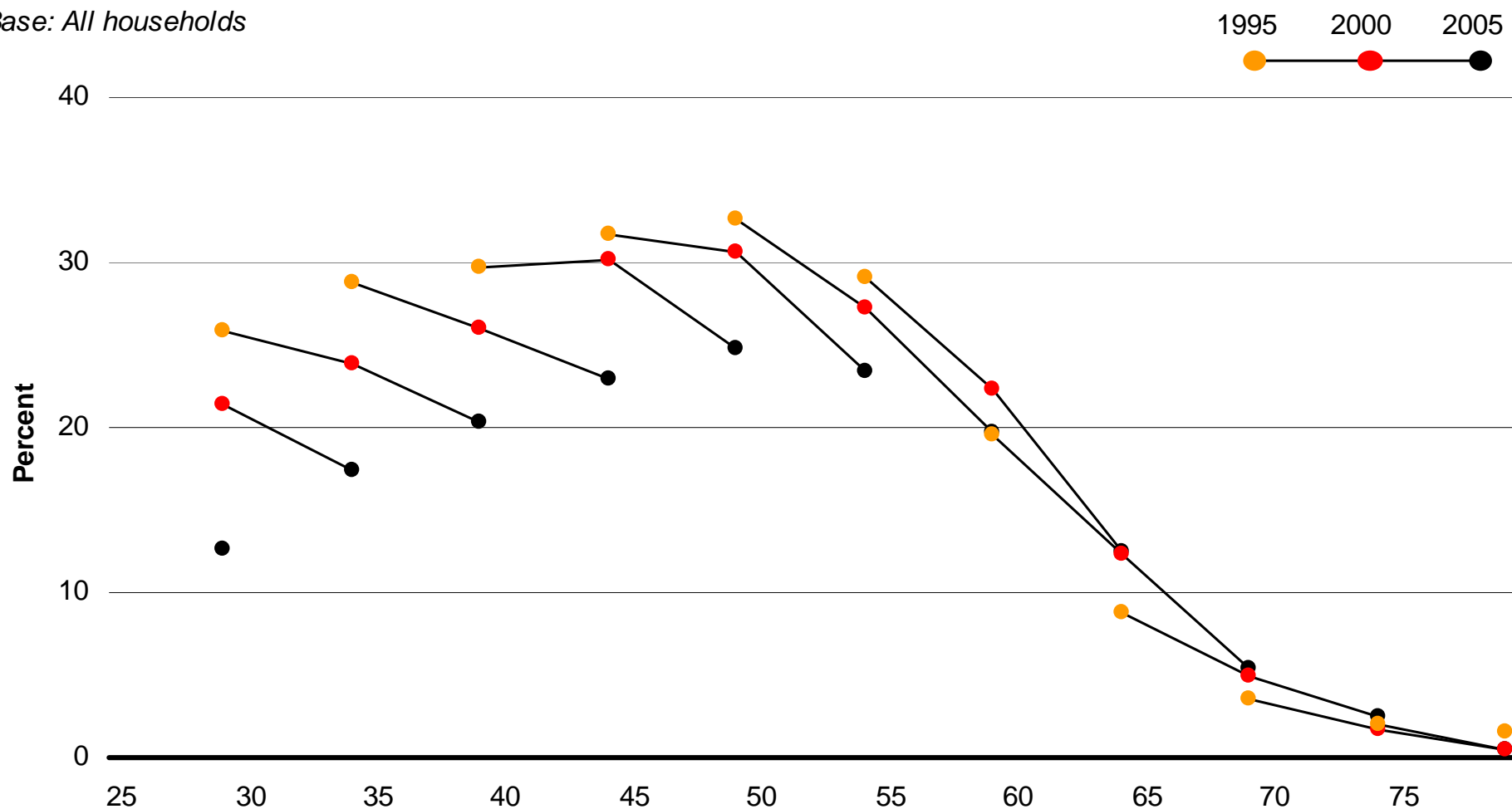
Trend in Mean Weekly Household Income

Base: All households



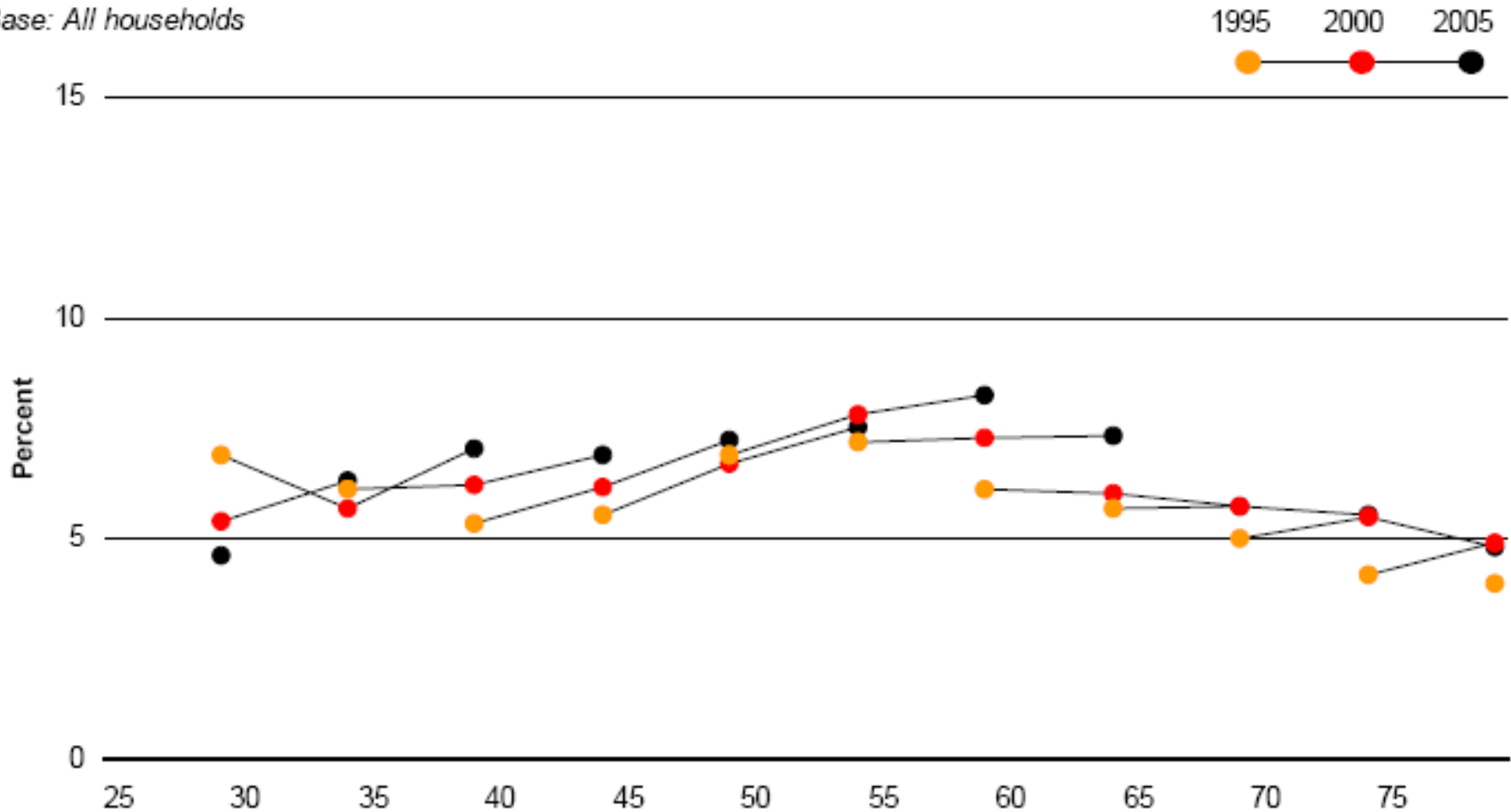
Trend in Proportion of Households contributing to a Personal Pension

Base: All households



Trend In Mean Monthly Savings As A Proportion Of Income, by Age of HRP

Base: All households



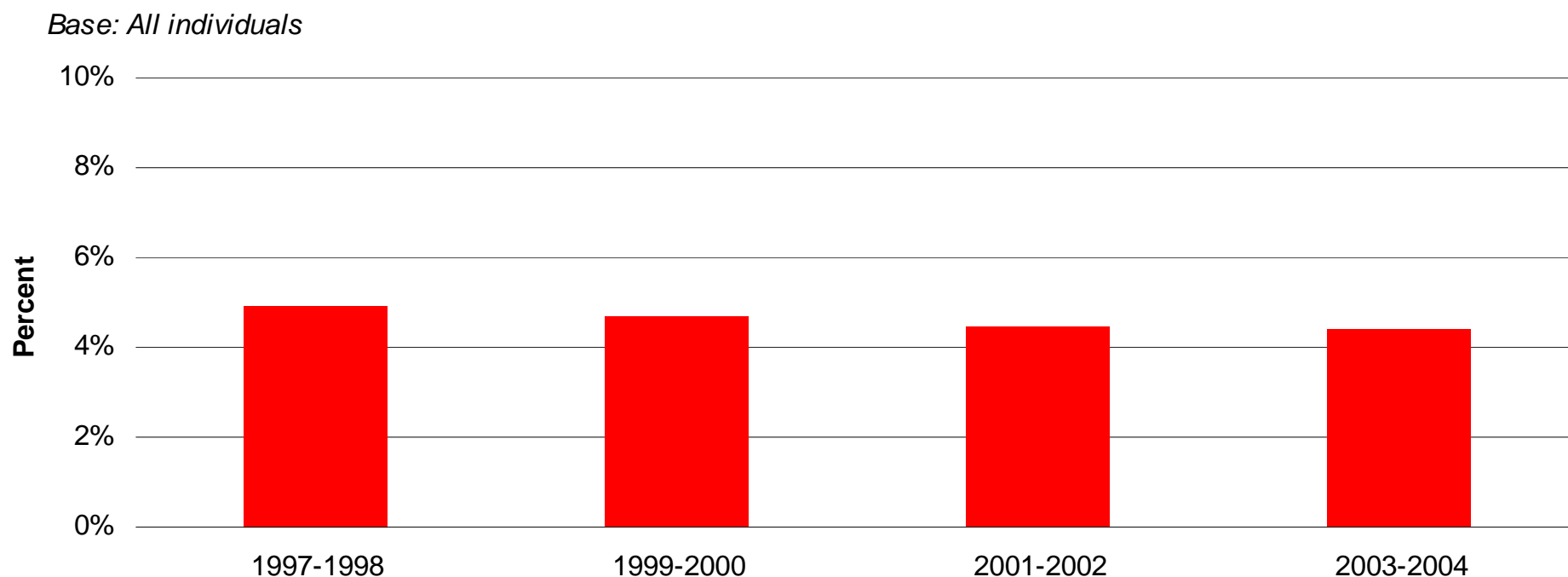
Some Observations:

- Younger cohorts seeing an increasing proportion of their current and future wealth tied into property.
- Effect of mortgage interest on wealth available to young for retirement saving.
- Older people's increasing net wealth not matched by increasing incomes – failure to annuitise or liquify housing wealth.

- In terms of non-pension wealth, whatever happened to the lifecycle consumption hypothesis?
- Wealth transfer from young to old through property – has it become excessive? Implications for intergenerational equity/contract?
- Implications for paying for an ageing population?

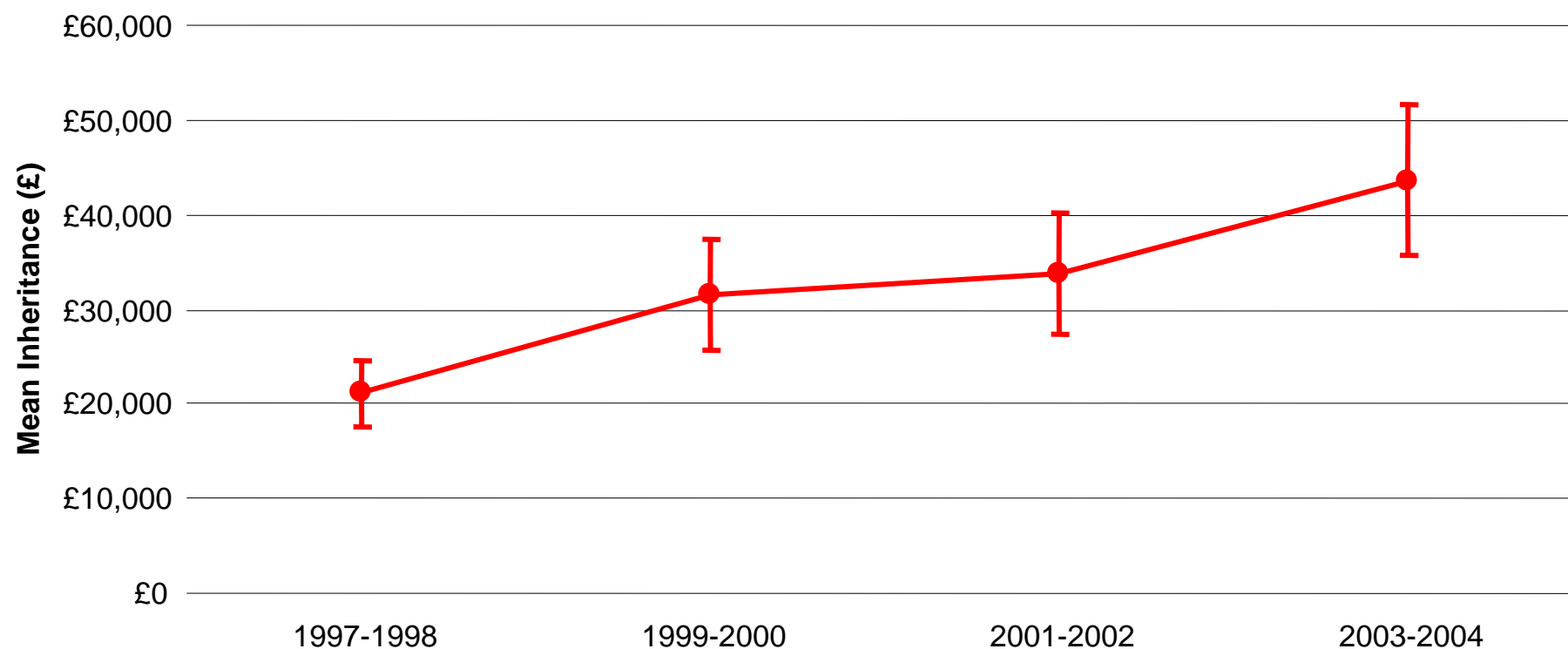
The Age of Inheritance

Percentage of the population receiving an inheritance (1998 – 2004), (BHPS)



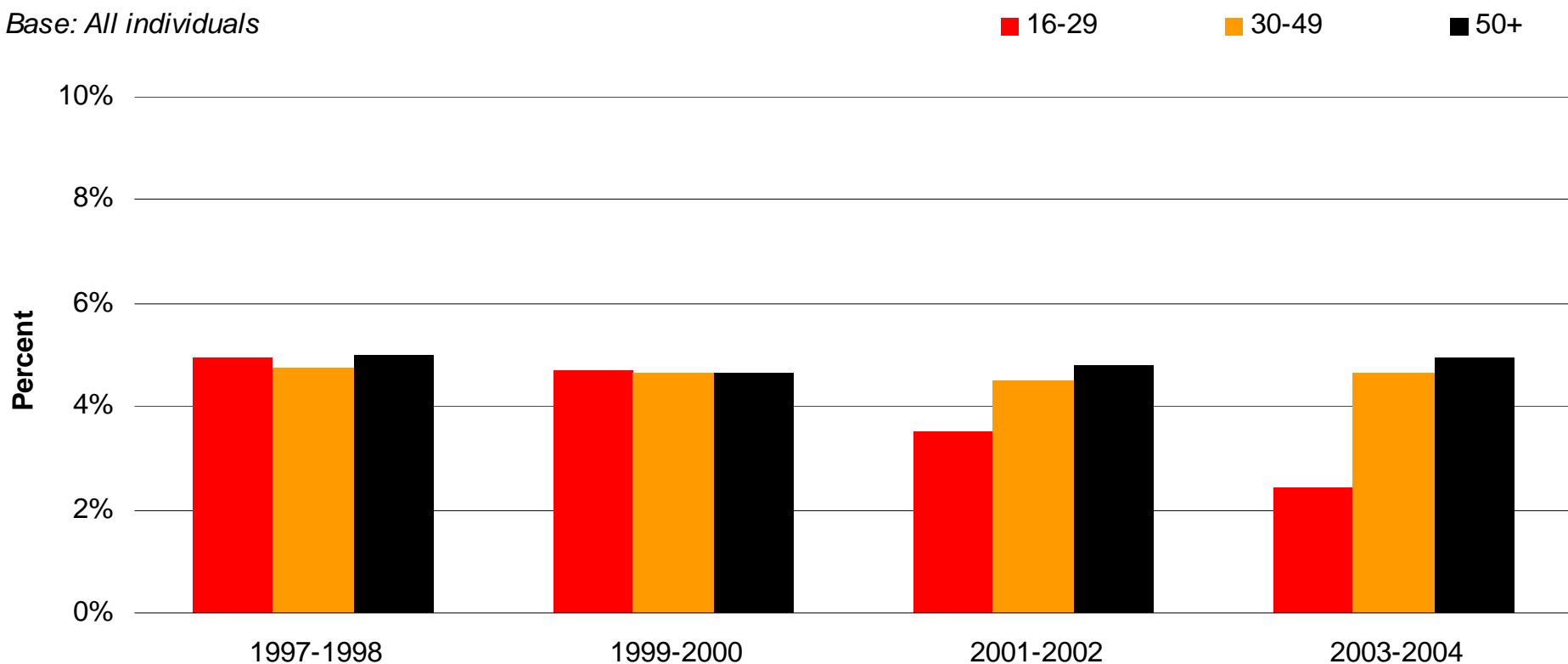
Trend in the mean inheritance received (1998 – 2004), (BHPS)

Base: All individuals who received an inheritance



Percentage receiving an inheritance by age (1998 – 2004), (BHPS)

Base: All individuals

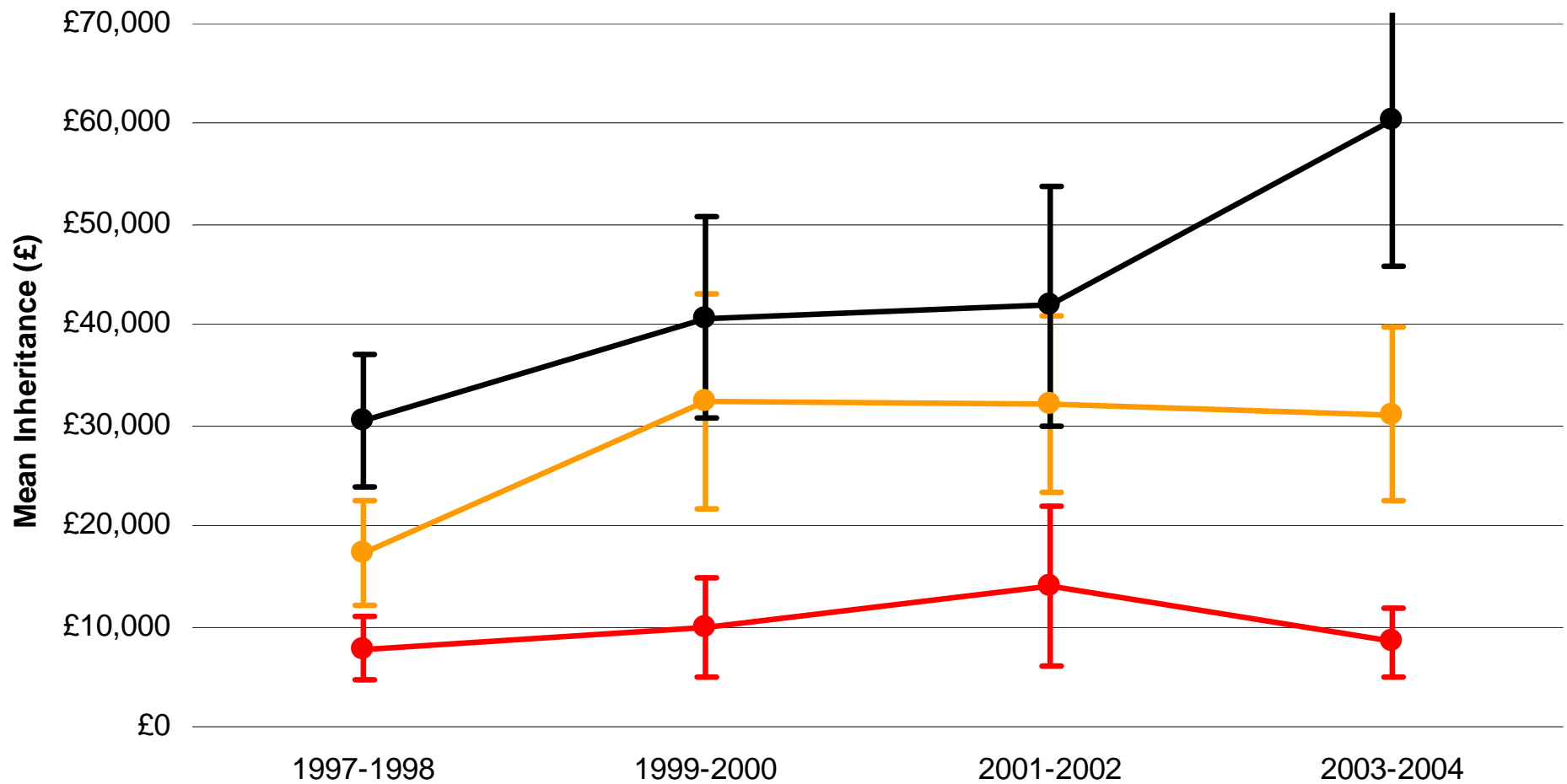


Trend in the mean inheritance received by age (1998 – 2004), (BHPS)



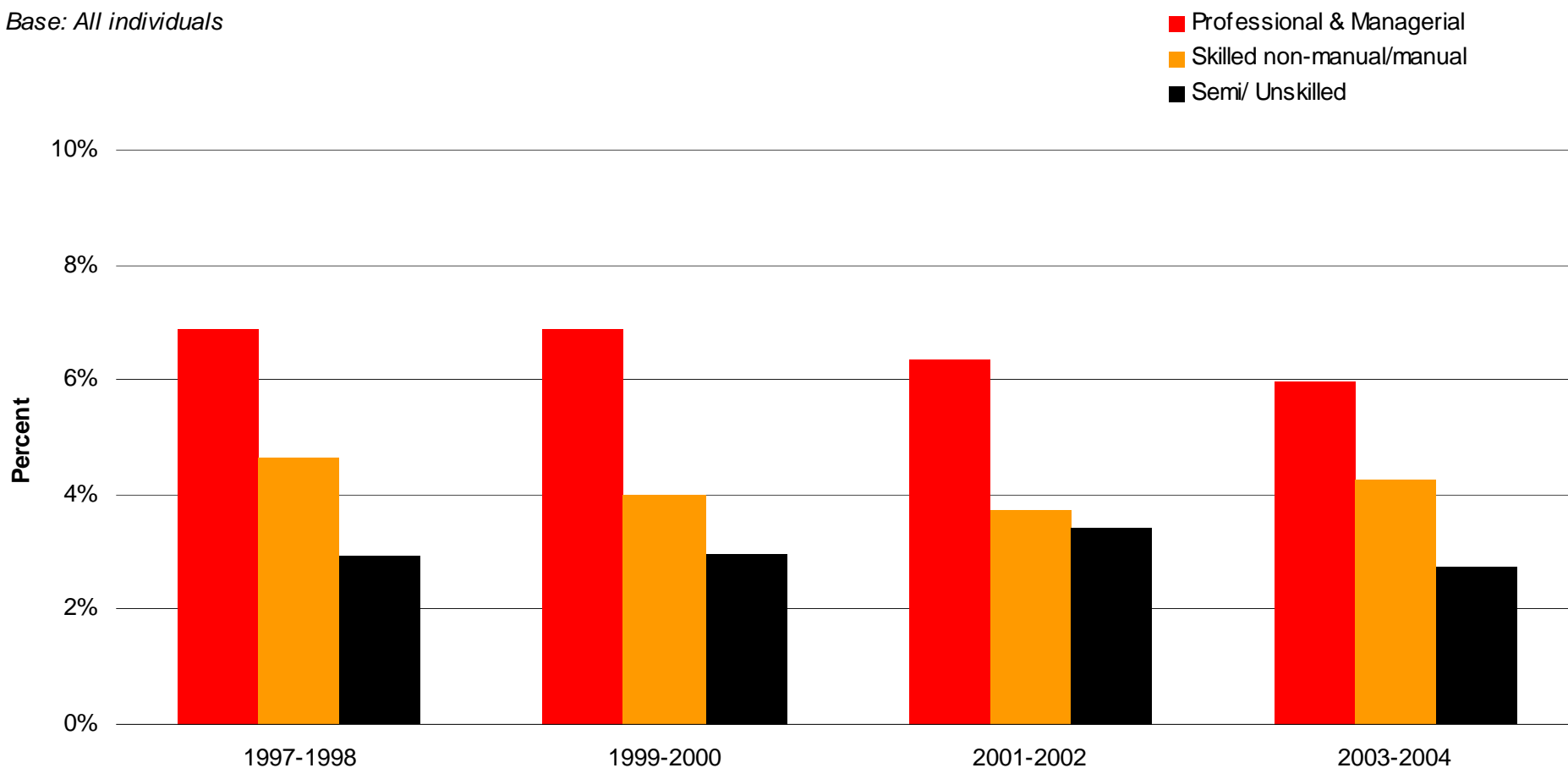
Base: All individuals who received an inheritance

16 to 29 30 to 49 50+

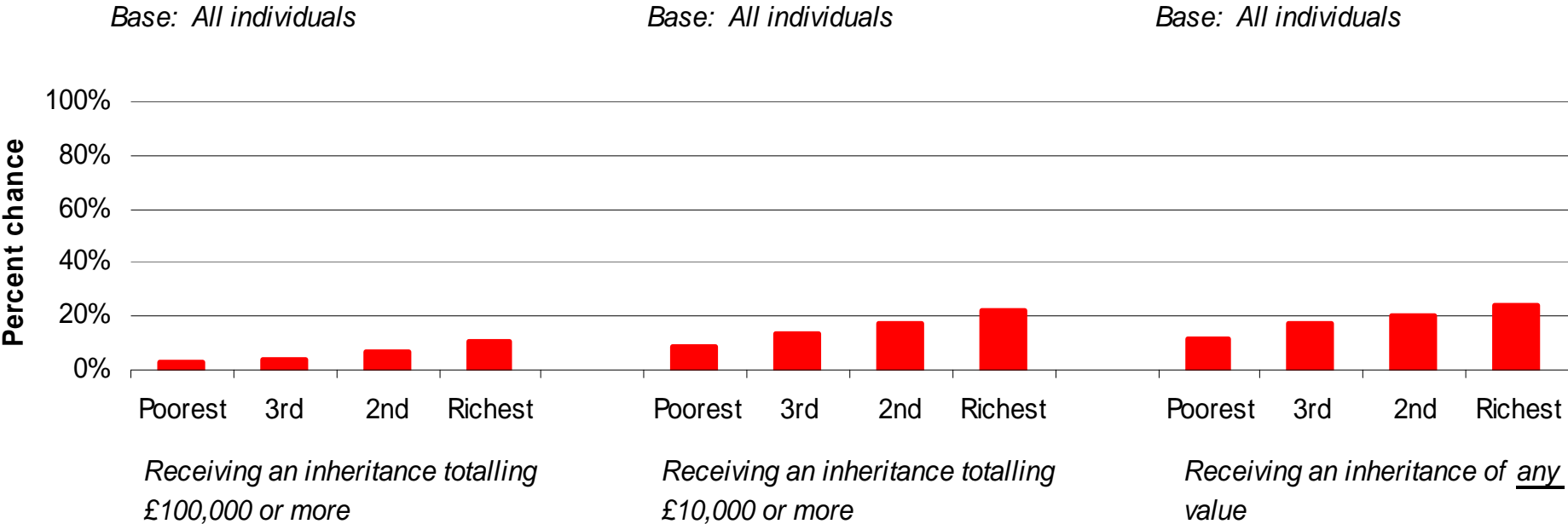


Percentages receiving an inheritance by ILC socioeconomic group (1998 – 2004), (BHPS)

Base: All individuals



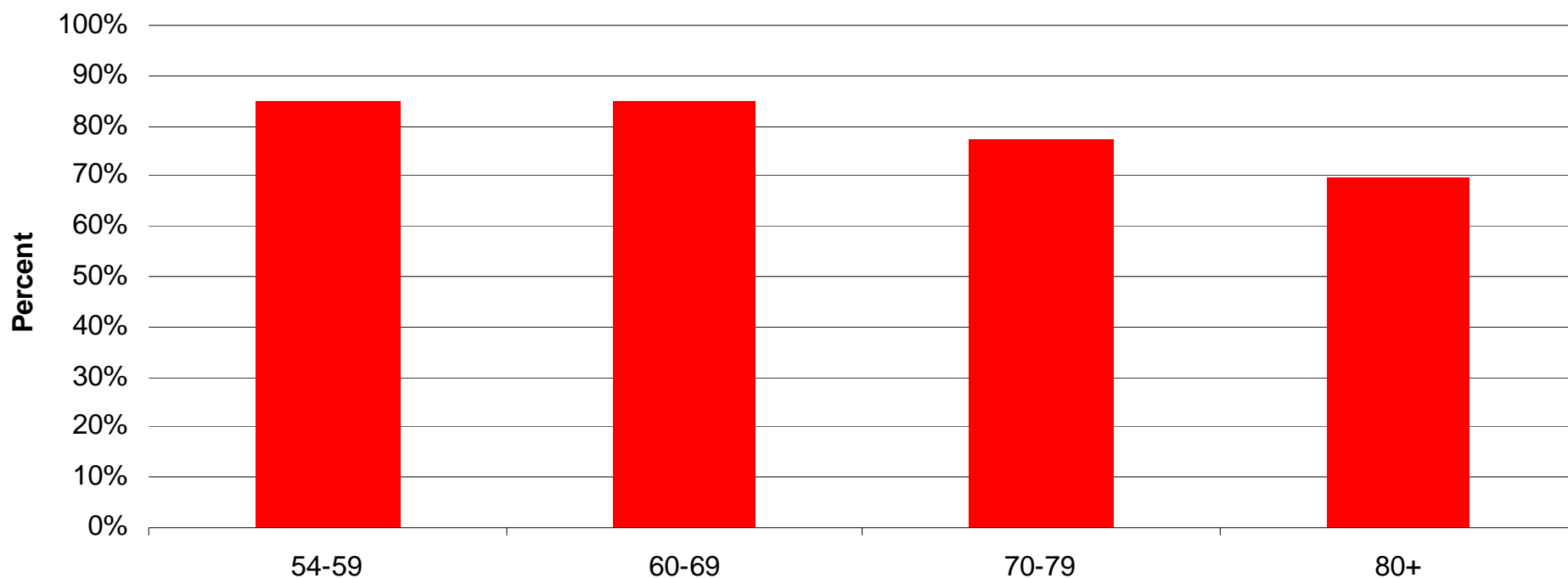
Expectation of receiving an inheritance in the next 10 years by wealth quartile (2006), (ELSA)



Proportion of owner-occupiers in each age group (2006), (ELSA)

Base: all individuals

■ Owner Occupiers



Some observations:

- The UK's property owning democracy reaching its natural conclusion; elderly cohort with massive property wealth.
- Effect of huge inheritance transfers on social policy, e.g. equality of opportunity?
- How much inherited wealth is being used to fund property purchases (second homes, assistance to first-time buyers)? Is a 'property vortex' now in operation?



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