

The 'I' Word

A study of 2,000 UK adults who expect to be left an inheritance



tower street finance

Contents

Foreword	Page 2
Chapter 1: A nation banking on inheritance	Page 3
Chapter 2: People are risking their loved ones being left out of a legacy	Page 5
Chapter 3: Blood is thicker than water when it comes to inheritance	Page 7
Chapter 4: Fear inheritance will be raided to pay for Coronavirus	Page 8
Chapter 5: Will the UK property boom lead to more families becoming inheritance bust?	Page 9
About Tower Street Finance	Page 10

Foreword

The 'I' Word...

Inheritance is a topic many people try to avoid, which is perhaps not all that surprising. Discussing an inheritance that you will benefit from means facing the loss of a loved one and talking about a legacy you are planning to leave forces you to think about your own death.

But the realities of avoiding the topic of inheritance are stark. The number of people dying in the UK without a will (called 'intestate') is higher than ever, and more people are being forced into legal battles over inheritance disputes, with the Ministry of Justice claiming that the number of court cases has now reached record levels.

We commissioned in-depth research amongst 2,000 UK adults who either were a beneficiary of will or who expected to be left an inheritance. It revealed that this reticence to discuss inheritance, combined with few people understanding the legal complexities of leaving, and being left, a legacy is only going to compound those issues further.

In our research we uncovered that **84%** of UK adults plan to leave an inheritance, but only **54%** have a will.

Despite almost half of people admitting to not having a will, our study identified that people have very strong feelings about who should, and who should not, inherit their estate.

17% of step-parents plan to exclude their step-children from an inheritance. And while **43%** want to leave their legacy to their partner, few understand that without a will unmarried partners, or those not in a civil partnership, would not be entitled to an inheritance automatically.

We also found that most people have no real understanding of how probate works, or how long the process can take. And that there was very little understanding about inheritance tax and who is liable to pay it before an estate can be distributed. Only **14%** knew that the executor or personal representative (when there is no will) is responsible, and a further **27%** wrongly believe that any inheritance tax liabilities can be settled once Probate is Granted.

Despite this lack of knowledge many are relying on an inheritance as a financial lifeline, especially when it comes to being able to afford later life living costs and retirement.

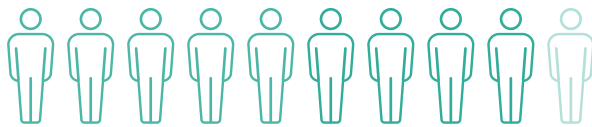
As an inheritance lending specialist, the insight we gathered from our research was invaluable not least because it helped shape a number of new financial products for beneficiaries, executors and personal representatives, as well as helping solicitors.

We hope our research is just as helpful to you.

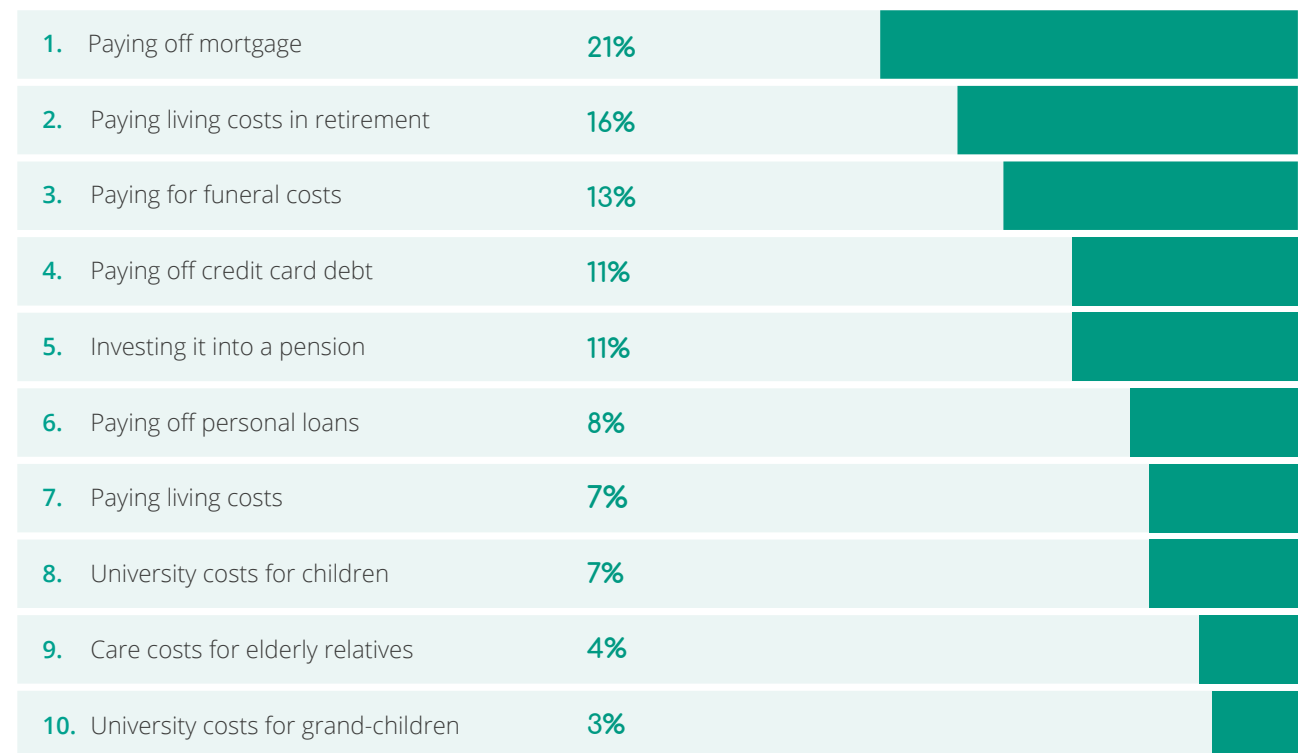
Richard (Dicky) Davies,
Business Development Director
Tower Street Finance

A nation banking on an inheritance

Nine out of ten (90%) of people in the UK are banking on receiving an inheritance from loved ones to pay off debts and afford retirement.



Top reasons people are banking on an inheritance



A nation banking on an inheritance

Great inheritance expectations

People expect to receive an average inheritance of £214,000.

- **6%** have loftier expectations and believe they are in line to be left a legacy of between **£750,000** to over **£1m**
- People living in London are relying on receiving the highest level of inheritance anywhere in the UK with an average of **£312,000**. In comparison, with the lowest level of expectation, people in Northern Ireland estimate they will be given around **£130,000**
- Men think they are in store for a **£320,000** windfall, while women think they'll be gifted around a quarter of a million pounds

One in seven people relying on an inheritance to afford a loved one's funeral

The average cost of a funeral has increased by **62%** in the last decade to **£4,417** and is expected to continue rising to a predicted **£5,285** by 2024. (1)

- **30%** would not have access to the funds to pay for a loved one's funeral
- **Over half** of those people (**52%**) would be forced to take out a personal loan or use credit cards
- **32%** admitted that they have no idea how they would afford a funeral, while a further **22%** said they would rely on borrowing from family and friends
- A further **one in seven (14%)** said they would rely on an inheritance from the loved one
- **9%** said their only option would be to sell personal items, such as a car, to raise the money



People in Wales were revealed to be the most cash strapped with **36%** saying they wouldn't have the money to pay for a loved one's funeral.



This was followed by **32%** of people in the South West, South East and West Midlands regions.

Half of UK adults risk loved ones being left out of a legacy



Eight out of ten people say that they plan to leave an inheritance to loved ones, with the average UK inheritance expected to be **£290,000**. Yet almost half of UK adults are leaving to chance exactly who will - and will not - benefit.

Will writing UK hotspots

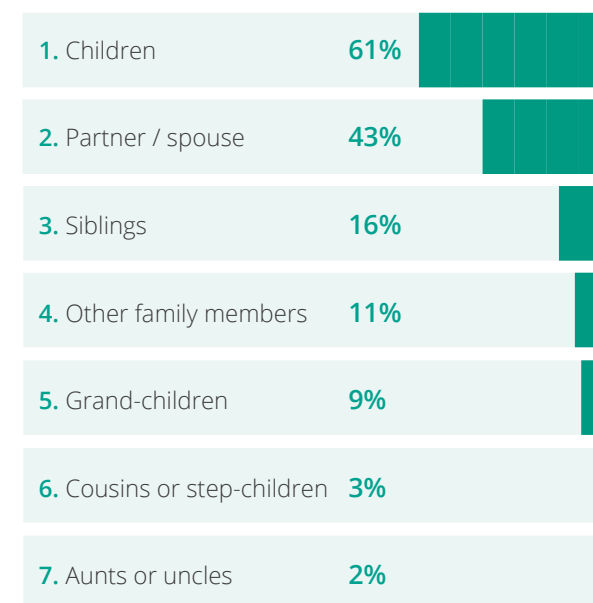
- **68%** of people in Edinburgh
- **65%** of people in Norwich
- **64%** of people in Gloucester and Leeds
- **62%** of people in Bristol

In contrast, **67%** of people in Wrexham, **60%** in Newcastle and **56%** in Oxford admit that they don't have a will.

Having a will is a good thing, but exactly how that estate gets divided and who stands to benefit is being left to chance as:

- **45%** of UK adults say that they have not written a will
- **23%** of people aged 55 and over don't either
- And neither do **47%** of women

Despite this, people have strong views on who should, and who should not, gain from any legacy they leave when they die.



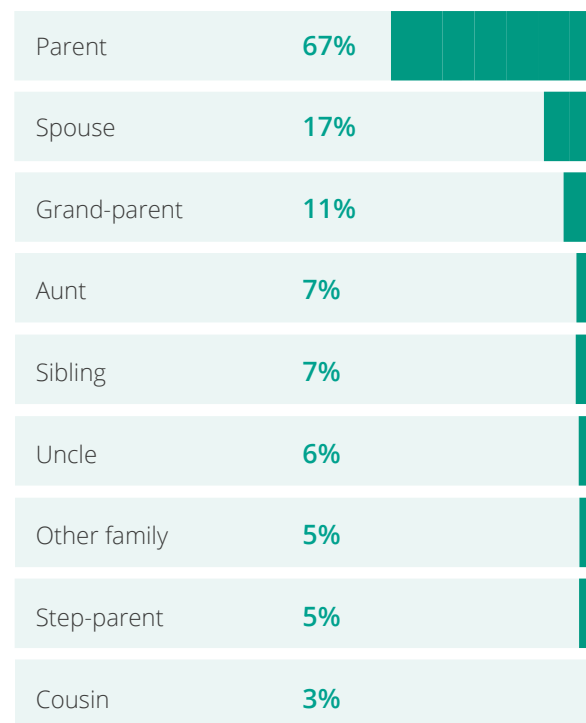
Half of UK adults risk loved ones being left out of a legacy

For the **43%** of people who want to leave their estate to their partners/spouse, unless there is a will in place, only those who are married or in a civil partnership will have their last wishes fulfilled.

Under the rules of intestacy if a person dies without a will, only married or civil partners, and some close relatives such as children, siblings and grand-parents, can inherit an estate.

Cohabiting couples, which according to the Office of National Statistics are now the second fastest growing type of households in the UK, do not have any rights under intestacy.

Who do people expect to receive an inheritance from?



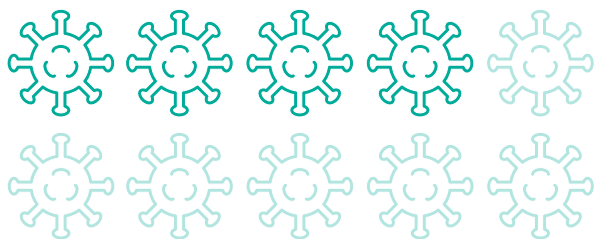
Blood is thicker than water when it comes to inheritance



Almost half (49%) of step-parents in the UK plan to exclude their step-children from their will or deny them a fair inheritance according to the latest research from Tower Street Finance.

- **32%** of step-parents have a will which does not treat their children and step-children equally.
- **17%** of step-parents admitted they had excluded step-children from their wills altogether.
- Step-fathers are revealed to be least likely to leave an inheritance to a step-child, with almost a quarter (**23%**) excluding them from their will compared to **13%** of step-mothers.
- Step-parents in East Anglia are the most likely to deny their step-children an inheritance with **33%** admitting that they have purposely left them out of their last wishes.
- In comparison, step-children living in Yorkshire and the Humber are the most likely to receive an inheritance from a step-parent with **83%** claiming to have already written them into their will.

Fear inheritance will be raided to pay for Coronavirus



Four in 10 people fear the Government will increase the current **40%** Inheritance Tax (IHT) rate to help cover the cost of the Covid-19 pandemic.

- **54%** think the Government is set to hike the rate of IHT to **50%**, three in ten fear a rise to **60%** and one in seven predict it could rise to **70%**.
- A minority, **one in 33**, fear the Government could even double the IHT tax rate to **80%**.

In 2009/10 the Government received **£2.4bn in inheritance tax**. A decade later in 2019/20 that figure had **more than doubled to £5.2bn**.

Inheritance tax is currently charged at **40%** on the value of an estate above the nil rate band, which is currently **£325,000** for an individual.

But IHT must be paid before a court will release an inheritance to beneficiaries of a will and each year around **2,000** families are unable to afford the average up-front IHT bill of **£200k**.

- **45%** don't believe the Government should make any changes to inheritance tax, or the nil rate band to pay for the Coronavirus pandemic.
- However, **a quarter** of people do think the Government should reduce the nil rate band so more estates have to pay inheritance tax and a **further 20%** think the IHT rate should increase.

Will the UK property boom lead to more families becoming inheritance bust?



With soaring property prices pushing many more estates into inheritance tax (IHT) liability it's predicted that few loved ones will now want to be left a legacy of bricks and mortar.

- **45%** of UK adults plan to sell any property they inherit.
- **18%** say they will keep the family home and either live in it themselves or use it to provide a rental income.

But with the threshold a person can inherit before tax remaining frozen until 2026 at **£325,000** and property prices continuing to rise, with the average home increasing in value by **£16,000** this year alone (2), it is unlikely that loved ones will want to be left the financial burden of inheriting the family home at all.

Spouses and civil partners are the only family members completely exempt from IHT on a home. Despite this, **73%** of the 2,000 UK adults asked in this study said they planned to leave their estate to their children, step-children and grand-children.

- The average property in London is already valued over the personal IHT threshold at **£487k**, as are homes in the South East currently costing an average of **£337k**.
- Both are predicted to rise to **£548k** and **£394k** respectively by 2025.
- Forecasts for properties in the East of England will also exceed the IHT threshold by 2025 with the average home expected to rise from **£310k** to **£363k** (3), and this is before any other assets in the estate are accounted for.

	5-year growth forecast	Average value in Dec 2020	Forecast value end 2025
North West	28.8%	£176,925	£227,879
Yorkshire and the Humber	28.2%	£172,326	£220,921
East Midlands	24%	£200,951	£249,180
West Midlands	24%	£207,603	£257,428
Scotland	22.8%	£156,768	£192,512
Wales	22.8%	£169,846	£208,571
North East	20.5%	£137,531	£165,725
South West	18.7%	£264,512	£313,975
South East	17%	£336,984	£394,271
East	17%	£310,240	£362,981
London	12.6%	£486,562	£547,868

Source: Savills / Nationwide

About Tower Street Finance

Tower Street Finance's products are designed to ease some of the issues people face around inheritance. Whether that is by helping to bridge the financial gap for beneficiaries during probate, settling the inheritance tax bill and other estate costs for executors and personal representatives, or for those who feel their loved ones wishes haven't been granted and pursuing a legal challenge to dispute an inheritance.

inheritance advance

Allows beneficiaries to access a proportion of their inheritance sooner, with the Advance repaid out of the proceeds of their inheritance, but with no risk or personal liability.

IHT loan

Provides a solution for estates that are effectively 'locked' because the executor has to pay the Inheritance Tax to apply for the Grant of Probate, but needs the Grant to realise the assets to pay the bill.

estate expense funding

Estate Expense Funding is a product available to executors and personal representatives who can't fund the costs associated with administering an estate.

inheritance dispute funding

A unique loan to cover the legal costs to dispute an inheritance. Unlike other products we don't ask you to jump through expensive hurdles to assess your dispute and there are no credit checks, no charges over property, no personal liability and no monthly repayments.

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Tower Street Finance's partnership with Cruse Bereavement Care

Cruse Bereavement Care offers support, advice and information for children, young people and adults when someone dies. It also works to enhance society's care of bereaved individuals.


The Tower Street Finance team has also pledged to raise £10,000 for Cruse Bereavement Care this year.

Find out more by visiting the [Just Giving site](#).



Contact Tower Street Finance

 info@towerstreetfinance.co.uk

 0343 504 7100

towerstreetfinance.co.uk



References

Tower Street Finance conducted research with a poll of 2,000 UK adults who were named beneficiaries or expected to be left an inheritance. The research was conducted by OnePoll in November 2020.

1. *SunLife Cost of Dying report: 2019*
2. *Nationwide Building Society*
3. *Savills / Nationwide*

