Generational wealth perspectives

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TRULY INDEPENDENT
Financial Advice for Everyone

A recent study suggests that a substantial proportion of Generation Z, born from 1996 to 2010, view property acquisition as their principal avenue to amass wealth for their retirement years. This perspective is slightly more prevalent within this demographic than the reliance on pensions, with 33% of Gen Z individuals planning to utilise property as a retirement fund compared to 30% who favour pensions.

This inclination contrasts markedly with preceding generations; notably, Baby Boomers show a stronger preference for pensions (42%) over property (18%), and a similar trend is observed among Millennials, with a more significant number leaning towards pensions (36%) over property (22%).

EVOLVING FINANCIAL STRATEGIES

Moreover, the way different age groups perceive their home's financial role varies significantly. A notable 35% of Gen Z individuals regard their home as a wealth source accessible in times of need, especially during retirement – a view less commonly held by Millennials and Generation X (24%) and Baby Boomers (20%).

Despite the young adult population's intent to lean on property for retirement income, the feasibility of such plans remains questionable, given today's challenging housing and mortgage landscape. Only a minimal fraction of Gen Z (10%) currently holds a mortgage, and there is growing concern about the prospect of bearing mortgage costs into retirement.

HOUSING MARKET REALITIES

Based on current forecasts, the research anticipates that over 13 million individuals could face continued rental or mortgage expenses into their retirement years. This insight into the prevailing preference for pensions among those nearing retirement age sheds light on the typical choices made regarding retirement income.

While each approach – property versus pension – has its merits, the younger generation's focus on property is understandable, considering the hurdles in accessing the housing market.

DIVERSIFICATION AND SECURITY

Nonetheless, relying solely on one asset for retirement is fraught with risk. It is advisable to achieve a diversified investment portfolio encompassing various funding options alongside the critical inclusion of pensions and easily accessible savings for emergencies.

Pensions offer several benefits, including tax relief on contributions and employer contributions for those enrolled in workplace pension schemes, potentially coupled with investment growth. However, limitations exist, such as the inability to access pension savings until reaching the minimum pension age, which is set to increase from 55 to 57 by 2028.

PROPERTY AS A RETIREMENT STRATEGY

On the property front, options include selling before reaching the minimum pension age. However, for many, their property doubles as their home, necessitating downsizing, relocating or exploring equity release to tap into their home's value.

While equity release might offer a solution for individuals without alternative assets, seeking professional financial advice to ensure it aligns with personal circumstances and financial goals is imperative.

READY TO DISCUSS MAKING AN INFORMED DECISION-MAKING ABOUT YOUR RETIREMENT PLANS?

For those navigating the complexities of planning for retirement, whether through property, pensions or a blend of both, informed decision-making is crucial. Please get in touch with us for professional financial advice if you require additional information or guidance tailored to your unique situation.

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