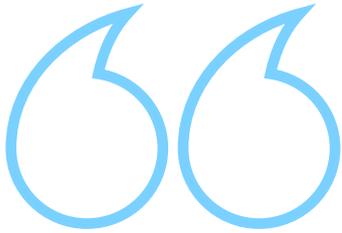




BANK OF MUM & DAD

CONVERSATION GUIDE

IN PARTNERSHIP WITH *the* **MONEY** *Charity*



As a parent, you may be in a position to be able to offer your child some financial support to get on the property ladder. As an adult child, your parents may have offered to help you buy your first home. You may even be considering how to approach mum or dad to see if they may be able to help.

Well if so, you've come to the right place. This guide is here to help you navigate this conversation, enabling you to be open and straightforward, and to avoid misunderstandings which can all too often lead to tension and even rifts.

The Money Charity is a UK charity which aims to help everyone, young and old, manage their money. We provide information and education to help people to get on top of their money and so be more in control of their life, reducing stress and increasing wellbeing, helping them to achieve their goals and live a happy, positive life.

Buying a home is an important life goal for many but it isn't always easy and with property prices rising more young adults than ever are needing the support of their loved ones to help them get on the ladder.

We have created this guide to help parents and adult children navigate what may be a pretty heavy conversation. This new aspect of your relationship with each other will impact your family dynamics as well as your finances, so it's important you get this conversation right and make sure everything is carefully thought through. Then you can feel confident and enjoy the journey together.

So, let's get started! Turn to page 2 to read Post Office Money research that gives you some insight into the experiences of those who have gone before you. Then on pages 3 and 4 we have spoken to relationship psychologist Corinne Sweet who guides us through the emotional considerations and offers practical tips on how to approach the conversation. And turn to pages 7 and 8 for our conversation guide that takes you step by step through all the important things to discuss and explore when giving or receiving a gift or a loan, with helpful sections to fill in together.

Best of luck!

*Stephanie Hayter
Acting Chief Executive
The Money Charity*



This Guide does not contain any personal recommendation or advice as to the advisability or otherwise of taking out any mortgage or other financial product. To discuss your needs, you should speak to an appropriately authorised financial adviser or consumer advice centre such as The Money Charity

USING 'BANK OF MUM & DAD' TO GET ON THE PROPERTY LADDER

The Bank of Mum & Dad is playing an increasingly important role for many first-time buyers in Britain today. And you can understand why. With house prices in some areas out of reach for many, and living costs rising, millennials are finding themselves in the position where the only way they can get onto the property ladder anytime soon is with some form of support from their parents.

“**35% of first time buyers** are now buying homes with the help of a financial gift or loan from their family*”

“**6/10 parents** surveyed could afford to provide some financial support to their aspiring first time buyer child*”

.....
£24,347 is the average amount lent to millennial buyers by their parents to put towards the purchase of their home*

COMING TO AN AGREEMENT

Despite the fact that more and more families are embarking on this new kind of relationship, many are not accessing professional advice. Most families come to informal agreements, without involving a third party.



* Research by Opinium surveyed on behalf of Post Office Ltd survey, 1643 homeowners and their parents from 21 January to 1 February 2018

58% of millennial buyers receive the gift under some conditions*

15% of millennial buyers agree that they will assist their parents financially in the future, in return for help*

Only 1 in 5 millennial buyers borrowing from their parents agree a monthly repayment plan*

HAVING CONCERNS

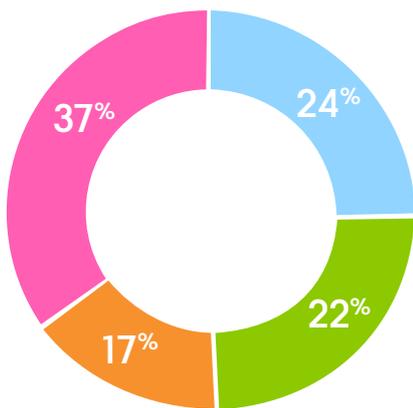
Although having help to get on the ladder does seem to be becoming the new normal, most millennials have concerns about embarking on this new kind of relationship with their parents. This highlights the importance of talking honestly, addressing concerns, gaining clarity and reassuring each other as early on as possible. There will be some concerns that can be resolved very easily, and for others there will be things you can put in place to ensure they don't become an issue.

Buyers who receive a gift are less reluctant than those borrowing from their parents, suggesting that the nature of having an ongoing financial arrangement with their parents causes some concern. However, this is much less concerning for parents.

WHEN IT'S A GIFT

71% of millennial buyers were initially reluctant to receive a financial gift to help them get on the property ladder

Their concerns were around:

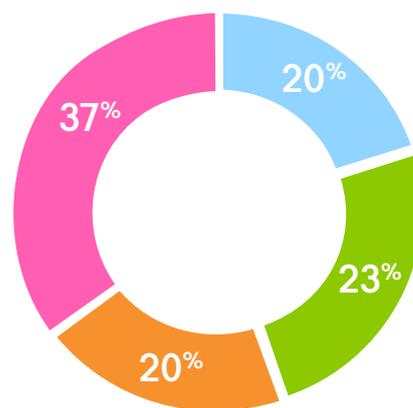


- Debt to parents
- Independence
- Parents Finance
- Other

WHEN IT'S A LOAN

82% of millennial buyers who took a loan from their parents were initially reluctant

Their concerns were:



- Affect relationship
- Conditions applied
- Payment Schedule
- Other





TIME TO TALK

If you're going to get onto the ladder with your parents' help, or if you're going to help your child get there, you are definitely going to need to talk about it. We want to make sure it goes well, so we have drafted in an expert to help you put yourselves in each other's shoes and to give you some practical tips on how to make sure you get the most out of the conversation.

Talking about money is one of the last great taboos, if you feel embarrassed, protective or defensive, you are definitely not alone. Money brings up strong feelings connected to survival, worth, status, power and success, and we all carry 'emotional money baggage' which affects how we feel, and talk, about money.

Corinne Sweet is a psychologist, psychotherapist and internationally acclaimed author of 'Stop Fighting About Money: How Money Can Make or Break a Relationship'.

BE PREPARED TO STEP INTO EACH OTHER'S SHOES

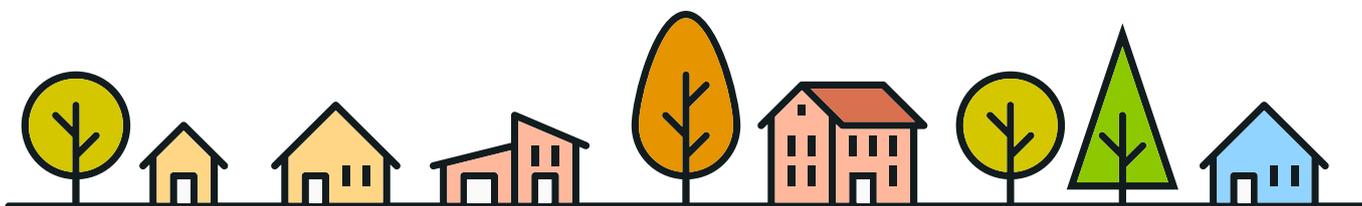
When talking about any topic where we hold deep-rooted beliefs, be aware that we frequently project these beliefs and associated behaviours onto others and can therefore assume that we are looking at things from the same point of view because of our experiences and associated bias – when most likely we're not.

Seeing the world from each other's perspective will help the parent/child relationship both in the short-term (problem-solving) and in the longer-term. Positive family patterns, which increase good communication, and deplete negative 'emotional money baggage', can get handed down, and improve harmony and relationships in the current and next generations. Teaching your children to talk openly and honestly about money with their partners/spouses and their own children, is a great parental gift.

PREPARING TO TALK ABOUT MONEY

Overall, asking for money, or lending or gifting money, is a process. It depends on:

- Clear communication
- Trust
- Openness and Honesty
- Being able to listen well (both sides)
- Taking time to think about what is happening
- Being willing to change your position or your mind
- A compromise, a negotiation, that pleases both parties
- Goodwill – a willingness to enter into an agreement



TIPS FOR MILLENNIALS

1. **Make amends** – If you have borrowed money from your parent(s) in the past, and not paid it back, or there has been an issue about money, clear the decks. Apologise if you need to, and/or acknowledge the situation and ask what your parent(s) would like you to do about it. Be willing to sort this out first;
2. **Be specific** – Make sure that you have done your research. Get your facts and figures straight, be prepared, so that you can put your case clearly, with evidence, if necessary;
3. **Keep an open mind**: Ask for what you want, but make it clear that your parents have a choice. If they cannot or will not lend you the money, that is their right. Don't make an

assumption that they will, and research an alternative, if possible, to show that you are willing to take a different tack;

4. **Be patient**: Give your parents time to think. They will likely need time to look at their finances to determine if or whether they can support you in this way;
5. **Be thankful**: If you get what you have asked for, be thankful and get things straight in terms of understanding when and how it is to be paid back, exploring all possible circumstances. Be clear on what has been agreed and have a document you can each keep which clearly outlines your discussion, not just the outcome.

PUTTING YOURSELF IN YOUR PARENTS' SHOES

Concerns that might be playing on their minds

About you

- I would like my child to stop wasting money on rent
- I would like my child to invest in property and their future
- I would like my child to be settled
- I would like my child to have security
- Buying a home is the sensible choice and saving should be prioritised above all else

About themselves

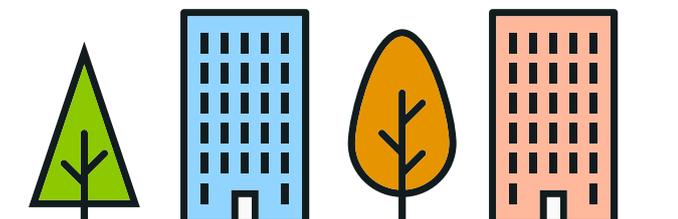
- I feel like I should help my child in this way but I'm not sure I can afford to
- I'm unsure about my own financial future and uneasy about depleting my savings
- I would like to be able to provide similar support for all my children but unsure if I can
- I've worked hard to have a comfortable lifestyle and don't want to risk it



*My parents loaned me £30,000 towards the purchase of my first home. We are quite close, so they were very relaxed about the terms but I was determined to make sure the money was paid back in good time. In the last two years alone I've paid back £10,000 – this was only because we had a monthly repayment plan in place, something that I would advise anyone borrowing from family members to do. **Mardon***



*When I purchased my new home it needed urgent electrical work. My parents – impressed with my ability to save for the deposit – offered to give me the necessary funds. While we had a repayment plan in place, a change in my circumstances meant that we had to sit down and renegotiate these terms. Eventually I paid the money back in full but it taught me to make sure you factor the unexpected into any agreement. **Russell***



TIPS FOR PARENTS

1. **Be sensitive:** If you are offering money, be considerate of your child's views and wishes, which may not be aligned to your way of thinking.
2. **Be prepared:** Consider your proposal in detail beforehand, and try to pre-empt what your child's concerns might be. Be prepared to discuss these together with an open mind and discussing the pros and cons of the proposed arrangement together.
3. **Be precise:** If your child has approached you, listen as they make their case if you can, without interruption. Don't feel rushed into making a decision. Ask all that you need to know and take some time to make an informed decision.
4. **Be clear:** Carefully consider if you can afford what is being asked for and if so, as a gift or as a loan. Be as honest as you can in communicating the reasons behind your position and if you are able to provide financial support, put forward a proposal with clear terms.
5. **Be frank:** Don't let any embarrassment about talking about money get in the way of being as clear and as open as you can be. Talk through your hopes and fears and reach a shared agreement wherever possible. Keep a record of your discussion which clearly outlines what has been agreed, not just the outcome.

PUTTING YOURSELF IN YOUR CHILD'S SHOES

Concerns that might be playing on their mind

About you

- I don't want to be a burden to my parent(s)
- I don't want to open my parent to financial risk
- I don't want my parent to feel obligated or pressurised
- I want my parent(s) to spend their money on themselves

About themselves

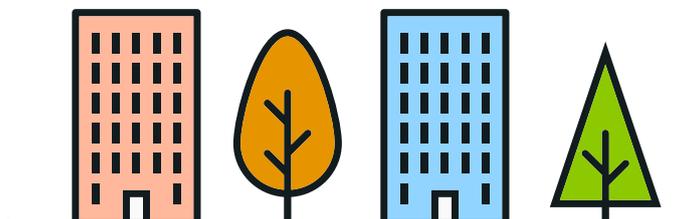
- I don't want to be reliant on my parent, I want to do this myself
- I don't want my parents to be involved in my personal finances
- I don't want to feel indebted to my parents
- I don't want my parents to be too involved in my personal life



*I gave my daughter a loan of £7,000 to help her purchase her first property in Surrey, we didn't have a written agreement or defined terms for repayment, she just paid me back as and when she could afford it. I was flexible as unexpected costs from moving, and bills throughout the first few years made it difficult for her to repay the loan quickly. After nine years £2,000 has been repaid – I made sure I could live without the money I loaned but if you do need a loan back in a certain time frame you must define from the outset to avoid financial difficulty and strain on the relationship. **Robert***



*I gifted my younger daughter a significant amount 9 years ago and then some more, 3 years ago, to help with work she needed to her home. My daughter and her partner were looking for a house and struggling to find something in their budget, so I offered to help them out. I cashed out an ISA, and they were very grateful but luckily, it didn't change our relationship. I would think about having some sort of a legal agreement in place. It wasn't an issue for us, but money can complicate things, especially if it's a loan. **Lorraine***



WHAT NEXT?

Commit to keep the arrangement under review, say every six months, as keeping the communication channel open between you will mean you can deal with any issues that crop up, so your relationship has more of a chance of staying amicable.

HOW TO USE THIS GUIDE:

This is a conversational prompt that you can use together to help you practically consider the needs of both parties to result in a mutually beneficial and clear outcome. Each section includes questions to discuss, things to consider to help you, and a box to write in the decision(s) you have made.

1. A LOAN OR A GIFT?

- Can the parent(s) afford to gift the money or will they need it to be paid back?
- Would the financial support provided be greater if it was a loan versus a gift?
- If considering a gift, is it important to the buyer that the property is seen as being wholly theirs?
- How do you both feel about your relationship dynamic becoming lender and borrower as well as parent and adult child?

We decide: Loan Gift

2. HOW MUCH?

- How much can parent(s) comfortably afford?
- Does it matter what the money is spent on? E.g. Deposit /Legal fees/ Furniture/ Mortgage repayments/ Renovations?

We decide: £.....
to be spent on

3. WILL THERE BE CONDITIONS PLACED ON THE LOAN/GIFT?

- **Will the buyer save a certain amount before parent contribution is made?**
 - Will parents benefit from the property?
 - Will they benefit from any money made on the property when it is sold?
Will it be a place for them to stay?
Will it be a place for siblings to stay/live?
- **Will parents have a say in:**
 - Choosing the property location?
 - Choosing decorations and furniture?
 - When it is sold, and for how much?
- **If it's a loan:**
 - Will there be interest?
 - Will you draw up an agreed repayment plan?
 - What happens if repayments are missed?

4. WHAT IF PERSONAL CIRCUMSTANCES CHANGE?

- If the buyer gets an unexpected windfall or pay rise, will they be expected to increase their repayments? Repay in full?
- If the parent(s) get an unexpected windfall, will it be expected that the loan will be written off?
- If the parents fall into financial difficulty, will the buyer be expected to increase their repayments? Repay in full?
- What if you fall out?

We decide:

5. BUYING WITH ANOTHER?

- Will the property and the mortgage be in the names of both the child and a partner/friend?
- Is the money being lent/gifted to the child specifically?
- What happens if the child and partner's relationship breaks down? Will that change any previous points discussed?

We decide:

6. WHAT ARE YOUR CONCERNS?

First time buyer

Parent

7. WHAT CAN YOU DO TO ENSURE THEY DON'T BECOME A PROBLEM?

First time buyer

Parent

8. NEXT STEPS:

- Get legal advice
- Get financial advice
- Do some research on
eg. Tax implications)

- Talk to about
(e.g. Siblings about what happens when they want to buy/any partners that may be involved)

- Other

ON THE LADDER

