Generation X:

1960s-1980s

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A career-focussed generation beset by financial concerns about everything from school fees to retirement planning, they were hit hardest by the financial crisis.

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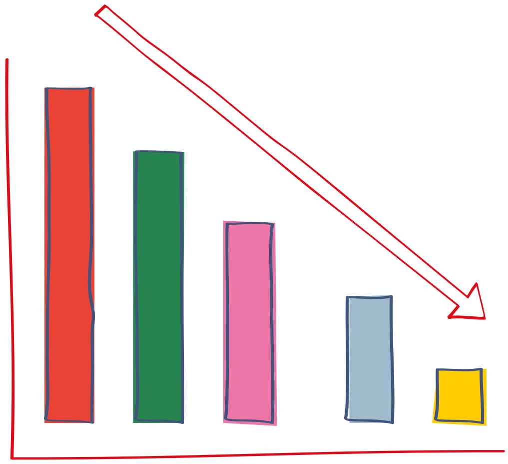

On paper at least, Generation X-ers are in the prime of life with everything to look forward to. And yet as they juggle the demands of family, work and trying to find the time to enjoy their limited downtime, it's no wonder that many find themselves overwhelmed and under pressure.

Having grown up as the first generation with the possibility of entirely free education and against the optimistic backdrop of Britpop and Cool Britannia, Gen X-ers, this demographic of individuals born between 1960 and 1980, were the last generation able to benefit from the property boom. Money was cheap, the economy was booming.

The financial downturn hit Generation X-ers' wealth hardest, with much of it locked in property, the value of which nosedived during the crisis. Although values have recovered since then, their wealth will take a considerable time to reach the levels achieved by the previous generation – the Baby Boomers - mainly due to the generation's small size.

Since the credit crunch, this career-focussed generation has been overloaded with financial concerns during what is arguably the toughest phase of life: kids at home, a mortgage, perhaps not yet in peak earning years. In fact, studies suggest that the busy child-rearing years tend to be the unhappiest of our life, plagued by concerns about providing for children and the growing cost of school fees.

News that average school fees have risen by more than the rate of inflation to an average of more than £6,000 a term according to the Independent Schools Council's latest annual census, will be all too familiar to those

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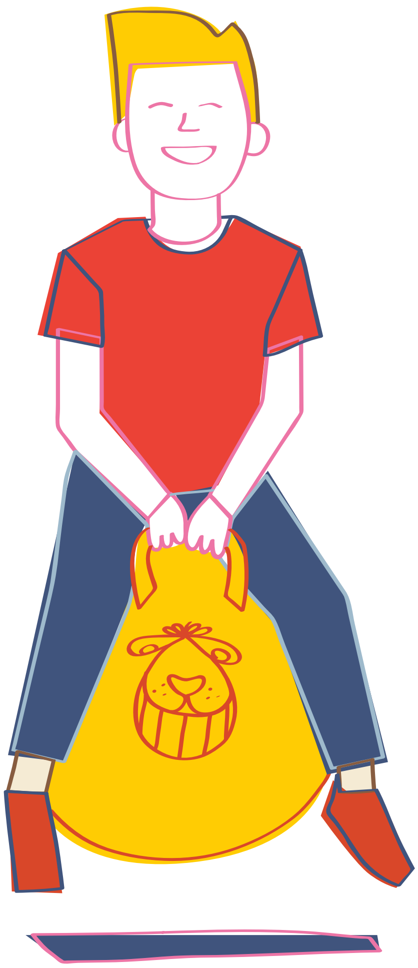


writing the cheques. From January 2025, VAT will be applied at the standard rate of 20% to private school fees. In addition, from April 2025, the government plans to remove charitable business rates relief for private schools in England, so that private schools will be required to pay their full business rates liability. It's expected that most schools will pass the cost on to fee-paying parents. For those with offspring of university age, there's the prospect of university choices and more fees to throw into the mix. No surprise then that mid-life crises typically hit at this age.

In addition to taking care of their own children and wanting to provide for them in the future in the form of an inheritance, this generation is reaching the age where the demands of supporting their now-ageing parents are starting to kick in, prompting the label the "sandwich generation." It is also fuelling the prevailing feeling among Generation X-ers that they're shouldering far more financial responsibilities than their parents did.

It's also at this time of life that people are most likely to be exposed to significant financial life events, not least divorce and redundancy. And with the prospect of being able to push back and enjoy retirement still a significant way off, it can all feel like something of a slog.

Generation X-ers know that planning for retirement is important because they've seen the challenges facing their parents, but there is a widespread tendency to procrastinate when it comes to putting enough money aside for later in life.

And more worryingly, the evidence suggests most are inclined to keep deferring until well into their 40s or even later. For Generation X, retirement planning is on the 'to-do' list for most, but there is a worrying tendency to either procrastinate or worse still, never get around to it.

Even though they intend to work longer than their predecessors, those in the Gen X crowd expect their retirement work to be more flexible, fulfilling and rewarding by providing them with a greater purpose as well as social interaction. ■

Big numbers

Generation X: 1960s-1980s

1st

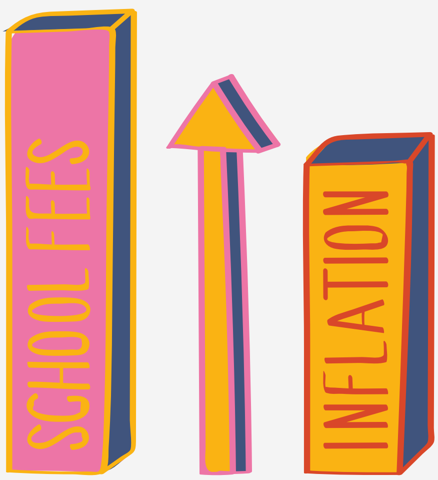
Generation to grow up with the possibility of free university education

40s

Are when most Generation X-ers put money aside for retirement

£6,000

The average that school fees have risen to per term, more than the rate of inflation



Case Study:

Richard

Entrepreneur Richard describes himself as a risk positive investor but admits that financial planning hasn't always been as high on the agenda as it perhaps should have been. Now in his late-40s, he is keen to explore ways to maximise returns and explore the various financial options open to him.

After benefitting hugely from house price increases over the years and managing to hang on to properties along the way, Richard and his wife Sally have a small rental property portfolio that in a good year provides an income after expenses of around £30k a year. But they wonder if they are missing a trick when it comes to making the most of their property investments, particularly in the light of changes to tax rules affecting landlords?

Having been self-employed for most of his professional life, Richard only recently started paying into a private pension and he is keen to maximise pension allowances. But with a house build project on the horizon, he is reluctant to tie up capital. What should his strategy be to give him the best returns but with the flexibility to access money at relatively short notice?

At the same time, although he is currently preoccupied with saving for school fees, Richard is also looking ahead to the prospect of the children going to university and wants advice on the best way to set them on the road to financial independence. Despite his own tardiness in setting up a pension, all three children already have pensions that the couple pay into on a monthly basis. Is this the most tax-efficient way to set them up for the future, they wonder? Would gifting them a deposit on a first property make more sense and what are the tax implications of doing so?

Richard has a relatively small share portfolio and enjoys dabbling in the markets via online trading platforms but has never sought any professional advice when it comes to his investments.

Simon Wong
Senior Wealth Planner

1. Having realised the importance of a pension, he might be able to make use of unused pension allowances from previous tax years.

2. Owning rental properties is less attractive from a tax perspective now so it's worth looking at the possibilities of selling one or two and setting up an investment portfolio, making use of both of their tax-free allowances

3. A review of their gifting strategy to the children might be prudent. For example, it might be preferable to invest in ISAs for the children rather than a pension as this would allow them to access it when it came to putting down a deposit on a property

4. Pulling together a wealth plan might help Richard understand how much he needs to set aside in order to ensure he can live a comfortable retirement when the time comes, without compromising his lifestyle

Investment involves risk. The value of investments and the income from them can go down as well as up and investors may not get back the amount originally invested.

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