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Money

Young 'too extravagant', say retirees

Covid-19 has exposed intergenerational clashes over the way we manage our money, says **Kate Palmer**

About half the population doubt that their finances will last beyond six months if the economy stays the way it is, research shows.

Those aged between 45 and 54 are least likely to feel their finances can last six months (35 per cent said this was the case), while those aged 65 and older tend to feel more secure (75 per cent), according to a poll of 2,000 people.

The youngest in society are also among the least resilient to an economic shock caused by coronavirus, with 49 per cent of millennials (aged 25 to 34) saying they will be able to last beyond six months if the present situation continues.

The study, by Columbia Threadneedle, an asset manager, has laid bare intergenerational clashes over the way we manage our money, and how our plans have changed because of coronavirus. Threadneedle initially polled 2,000 adults in September 2019, but decided to rerun the survey this month with 800 adults to capture how attitudes had been affected by the outbreak of Covid-19.

Younger people are more likely to regret their financial decisions in light of the pandemic, with 72 per cent of 18 to 24-year-olds saying that they would do things differently if they had their time again, compared with 19 per cent of over-64s. This is because the young are more likely than older people to spend money on experiences and items, while the retired are more likely to think that is wasteful.

More than half (52 per cent) of millennials think that spending money on key life events such as a wedding is a financial priority compared with 21 per cent of baby boomers (aged 55 to 73). Millennials are also more likely than boomers to spend on gadgets: 28 per cent as opposed to 8 per cent.

Meanwhile, 73 per cent of retired people think that younger generations are "too extravagant" with their spending habits, while 58 per cent say that they lack the ability to save or budget.

Nearly half of those polled who had reached retirement said that younger generations are far too reliant on wealth being passed down by older generations. That said, 52 per cent of retirees agreed that financial conditions for young people are harsher today than when they were younger.

One in four of today's working population argues or disagrees with older family members about their financial decisions — that's more than nine million people having an argument with a relative about money management.

The research also found that young people are likely to expect a gift during their parents' lifetime, to go towards a property, for example. However, many are likely to be disappointed because 32 per cent of baby boomers said that they don't expect to be able leave an inheritance to their children.

Young people are more likely to shun a job for life and are also much more inclined than older generations to choose ethical investments, Threadneedle's research found.

Middle-aged savers are likely to be feeling less confident because they are more likely to have a mortgage and worry about looking after their elderly parents. The rise of the "bank of son and daughter" could become a reality as adult children have to pay for care for their relatives. Of those surveyed, 43 per cent think that it will become normal by 2050 for older family members to move in with younger generations, while 40 per cent think that the retired will rely on their children or grandchildren to support them financially.

Charles Brooks, 48, a management consultant, said that he was faced with the double financial squeeze of helping his children, 16 and 18, eventually to get on the property ladder when they are older, as well as making sure that his mother, Ann, 74, was well looked after. Charles, from Ruislip in northwest London, said that his business had shrunk by about a third because he specialises in the housing sector, but had also seen some investment opportunities from the crisis, putting money meant for a holiday towards shares in some oil companies, the online grocery company Ocado and Premium Bonds.

"I have a mixed approach, but I have kept investing," he said. "If I was to take more money out of the FTSE I would have lost an awful lot of money."

For his sons, Jake, 16, and Ben, 18, Charles has opened Help to Buy Isas, where the government pays a 25 per cent bonus on money saved in the accounts as long as they are used towards buying a property.

Charles bought his first house, for £100,000, when he was 28. It had doubled in value four years later, but he knows that it won't be the same for Jake and Ben. "A house is out of the equation, and I think housing associations will have to create more schemes to help first-time buyers," Charles said.

"They will need to save for themselves as I don't have enough money to give them both deposits, but what I haven't told them is that I am putting some money aside to help."

His mother lives alone in nearby Ealing and has been considering living in assisted accommodation, but the costs are so high that Charles has discouraged the move. "At the end of the month I say to her, 'You've saved yourself £900 compared with living in a supported accommodation scheme,'" he said.

Charles has been teaching Ann, a former junior school secretary, how to bank on a smartphone and she has switched poor-paying savings accounts with NatWest to Atom, a mobile bank with different savings accounts.

Nick Ring, the chief executive in Europe, the Middle East and Africa at Columbia Threadneedle Investments, said: "There is broad recognition across generations that younger people face harsher financial conditions, but there is also consensus among most of today's retirees that younger generations are too extravagant in their spending habits."

Nick Ring, Chief Executive Officer of Europe, the Middle East and Africa at Columbia Threadneedle Investments