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Over-50s seriously underestimating how much younger households have to spend on essentials

Only 13% of older people know that under-35s' households have to spend close to two-thirds (63%) of their weekly expenditure on essentials, according to new research by the Intergenerational Foundation (www.if.org.uk).

The nationally representative survey of 1,003 adults aged 50+ found that 42% of over-50s underestimated just how much the average young adult spends on essentials. Once told the actual figure, more than 1-in-4 over-50s (26%) said that knowing the real figure would make them more likely to give financial support to a younger relative.

Separate research showed that in a typical week an under-35 household is spending £203 on essential items, the largest proportion of any age group, with little left over to spend on anything else.

The research was supported by Yorkshire Building Society as part of its aim to improve financial wellbeing in the UK.

It explored how much households who belong to different age groups have to spend on a basket of "essential" goods and services at different points in time, in order to investigate how the changing cost of living has affected younger generations. It revealed that, according to latest available data, 40% of total weekly expenditure for under-35s goes on just housing, domestic utilities and transport. Most worryingly, the research found that those under-35s' households in the bottom income quintile have to devote over 70% of their weekly expenditure budget to essentials. By contrast the share of weekly expenditure taken up by essentials fell by 14% for over-65s' households over the same period.

Proposals to address the differences include uprating the annual gifting allowance, which has been frozen since 1981, in line with inflation so that families can more easily help each other.

Angus Hanton, IF Co-founder comments, "Rather than being a generation of latte-drinking, country-hopping spendthrifts, young people today are under serious financial pressure from precarious employment, stagnating wages, high housing costs, sky-high student debt, high energy bills and the cost of domestic transport. They face major challenges to put money aside and save for a rainy day. We have to do more so that different generations can help each other when they need it most."

The research builds on previous IF work which found that the under-30s were spending a third less in real terms on cinema and theatre tickets than a decade before, 20% less on eating out, and close to £1 billion less on overseas travel, while Baby Boomers have enjoyed the fastest increase in spending on foreign holidays and eating out.

According to government statistics younger generations are also drinking less alcohol and taking fewer drugs than previous generations.

Mike Regnier, Chief Executive of Yorkshire Building Society, comments, “Improving people’s financial wellbeing by helping them to save more has benefits for individuals and the UK as a whole. There are major challenges to address and this research demonstrates the stark differences faced between generations. Improving our understanding of the cost of living challenges gives us a chance to pinpoint solutions that will allow more people to improve their ability to withstand financial shocks and make the most of their money.”

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Note to Editors:

- Research period covered: 2001/02 – 2016/17:
- Research source: Living Costs and Food Survey (LCFS); Office for National Statistics. This is a nationally representative annual household expenditure survey that has run from 1957. Directly comparable data was obtained for the period in question. The survey name then was “Expenditure & Food Survey” (EFS).
- Omnibus survey undertaken by YouGov with a GB representative sample of 1,003 GB adults aged over-50 between 20–22 August 2019. The survey was carried out online.

Other intergenerational figures:

- Median monthly rent demand in London for a one-bedroom flat: £1,281.00
<https://www.london.gov.uk/what-we-do/housing-and-land/renting/london-rents-map>
- Private renters are spending around 40% of household income on rent: English Housing Survey Headline Report, 2017–2018:
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/774820/2017-18_EHS_Headline_Report.pdf
- Average one-bedroom flat in the UK: £600/month: <https://www.bbc.co.uk/news/business-46072509>
- Average age of a first-time buyer in England is now 34 years of age:
<https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/articles/milestonesjourneyingintoadulthood/2019-02-18>
- 53% of 22–29 year-olds have no readily available savings; ONS (2018):
<https://www.ons.gov.uk/releases/howwellareyoudoingcomparedwithotheryoungpeople>
- Only 28% of 22 year-olds have over £1,000 in savings ; ONS (2018):
<https://www.ons.gov.uk/releases/howwellareyoudoingcomparedwithotheryoungpeople>
- Alcohol consumption by 16–24 year-olds has dropped from 65% in 1998 to 44% in 2017:
<http://healthsurvey.hscic.gov.uk/data-visualisation/data-visualisation/explore-the-trends/alcohol.aspx>
- NHS hospital admissions for 16–24 year-olds with a primary or secondary diagnosis of drug-related mental health and behavioural disorders has fallen in 2016/17, while it has increased for all age groups up to 75 years of age, according to latest available data from the NHS: *Statistics on Drug Misuse: England 2018*, Table 3
- Close to 1 in 5 people aged over 16 years of age drank more than 14 units of alcohol a week in 2017. People aged 45 or over accounted for 69% of admissions where the main cause was due to alcohol: *Statistics on Alcohol, England 2019*

Angus Hanton, IF Co-founder, is available for interview.

Please contact Liz Emerson on liz@if.org.uk Mob: 07971 228823 to arrange.

For an interview with Yorkshire Building Society please contact John Brennan on: jbrenan@ybs.co.uk
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