5 Reasons Why More Older Homeowners Are Gifting Their Wealth Early

With a growing number of mortgage options available to borrowers, we're seeing a rise in older homeowners choosing to gift their wealth to family members during their lifetimes, rather than waiting to distribute assets through their wills.

This shift in behaviour has been driven by a multitude of different reasons. While more mortgage options have become available, stepping on to the property market has become more difficult for younger borrowers and therefore increasing the need for financial aid.

That being said, there are more reasons to play. Below, we explore the key reasons why more older homeowners are gifting their wealth early.

1. Helping family members become more financially stable

One of the main reasons homeowners are gifting their wealth early is to support their family members, particularly the younger generation

With the housing market and inflation ever increasing, it is becoming increasingly more difficult for younger borrowers to afford a deposit for their first home. Therefore, gifted deposits are becoming an essential means of helping them enter the property market.

2. More mortgage options for older borrowers

The mortgage market has expanded significantly, with more and more options now available like later life mortgages or lifetime mortgages.

According to UK Finance, the number of later-life residential loans grew by 2% year-on-year in Q3 2024, with a 9.7% rise in lending value.

The eligibility for these options often depends on the person's affordability, credit history, and property value. It is important to consider whether borrowing against your home is the best financial decision.

3. Downsizing to release equity

Downsizing is a common strategy for homeowners looking to release equity. Now that less room is required in their residential home, many are able to downsize to free up funds to gift deposit.

This doesn't come as much of a surprise, as older borrowers often seek a simpler life. If they are retired, it would make perfect sense to want to face lower financial costs for their home.

They can pass on their wealth to the family members while still reaping financial benefits themselves.

4. Seeing the impact of their gifted deposit

There is an emotional factor involved with gifted deposits, and many older borrowers want to see the impact it has on a family member while they are alive.

Whether that be for a first home, funding a certain lifestyle or help them achieve financial security.

They also have the possibility to assess how the deposit is utilised for their families financial gain and can support their move and ensure its successful.

5. Reducing inheritance tax impacts

One major reason why older homeowners are gifting deposits early is to potentially reduce inheritance tax. By reducing the size of their estate, they may bring it below the £325,000 threshold and lower or eliminate the amount of tax owed on their assets.

The UK inheritance tax rule follows the 'Seven year' timeline which states that those who gifted the deposit will be exempt from inheritance tax if they are alive for seven years after making the gift. If they do pass during this period, they are still liable for taper relief which can reduce the amount owed.

By acting early, older borrowers can protect their wealth and still help their family members.

Conclusion

As older homeowners gift their wealth early, families are changing how they plan their finances and support each other.

Whether it's helping family members buy a home, reducing tax bills, or simply enjoying the joy of giving, gifting deposits earlier is becoming increasingly more popular.

However, those who do, need to carefully consider the long-term impact of these decisions. Be sure to seek advice from professionals like a financial advisor that can provide professional guidance on how gifting deposits aligns with you and your families financial goals.

All that being said, with more flexible mortgage options and financial tools out there, this trend for older borrowers gifting early is likely to continue for the foreseeable future.

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