Living Forever 2

Baby Boomers Revisited, 2010

This report summarises the results of a project to research and analyse the impact of the 'baby boomers' on the charitable legacy market. It is an update of work conducted in 2007, focusing on any significant changes in boomer circumstances and attitudes in the light of the 2008-9 recession. This report builds on the 2007 research, and is best read in conjunction with the original project findings. A variety of techniques were used, including desk research, focus groups and market modelling. The project was funded by a Consortium of 20 charities, who are listed on the back of this report.

Key Project Findings

- Compared to previous generations, Britain's 10 million core boomers are *still* significantly more affluent. While their short-term financial circumstances have been dented by the recession, their fortunes will recover in the longer term, albeit at a slower rate than last projected.
- The financial crisis has removed many of the old certainties, leaving this once sanguine group sceptical and cynical. There is a widening confidence gap, between top-end and mid wealth groups, and between different family types.
- These trends have made boomers even more demanding of suppliers, and reinforced the sense that 'charity begins at home'.
- This means less space for charity in boomers' minds and budgets; and even greater demand for tangibility, accountability and 'value for money'.
- Given the boomers' fondness for good causes and the ongoing escalation of legacy marketing, charitable will-making will rise, with pecuniary bequests gaining ground over residuals.
- However, the proportion leaving a charitable bequest in their will – especially among those with families – may not grow as quickly as originally anticipated.
- Over the next 40 years, legacy market growth in real terms will average 2.4% pa. By 2050 the market will be two and a half times larger than today.
- These findings accentuate the need for charities to be ever smarter in their legacy positioning, communications channels and messages.

Project background

Over much of the twentieth century, the number of deaths has been falling, thanks to better living conditions and healthcare, leading to increases in life expectancy. This trend has accelerated in the past twenty years. Between 1986 and 2006, the number of UK deaths fell from 661,000 to 572,000, a drop of 14%. The fact that the number of charitable legacies has continued to climb year on year, despite a fall in the number of potential legators, is a credit to the efforts of legacy marketers.

However over the next decade things are set to change. From 2018 onwards, the number of deaths will start to climb, accelerating sharply through the 2020s and 2030s. The main reason for the rise in deaths is the demise of the 'core' baby boomers: the 10 million people born 1946 - 1957, and currently aged between 53 and 64. This group was the focus of our research.

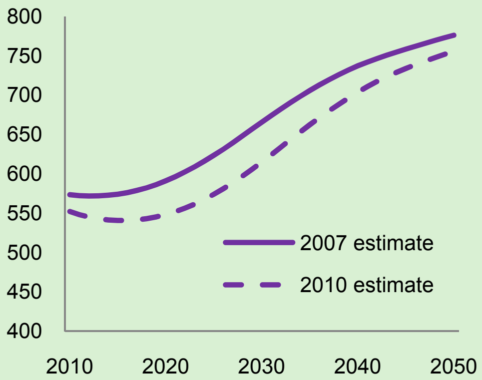
While the demographic trends are fairly incontrovertible (despite our project title, not even the boomers can live forever!) the impact on the legacy market is less obvious. Back in 2007, we set out to explore two main questions. First, will the boomers have anything left to leave? Or will they have spent it all on paying for care, supporting their families or simply having fun? And second, irrespective of the amount of money available, will they choose to leave it to charity? Or will family, friends and more distant relations take precedence?

Back in 2007, our research showed that core boomers saw themselves as the 'lucky' generation. As a group they tended to be individualistic, liberal and largely secular in their beliefs. Contrary to popular belief, British boomers were not 'Spending the Kids Inheritance'. While they were looking forward to an active and comfortable retirement, future uncertainties, together with relatively modest lifestyles were already constraining any extravagant spending. Indeed, many boomers were feeling concerned about their children's future, and were giving considerable sums of money to ensure their offspring's future happiness.

Our research also revealed a growing group of childless people (particularly childless women), dying from 2025 onwards, who we found were willing to challenge conventions about who 'should' inherit their estate. This group represents a significant future opportunity for legacy marketers.

Chart 1.The number of deaths will be lower each year

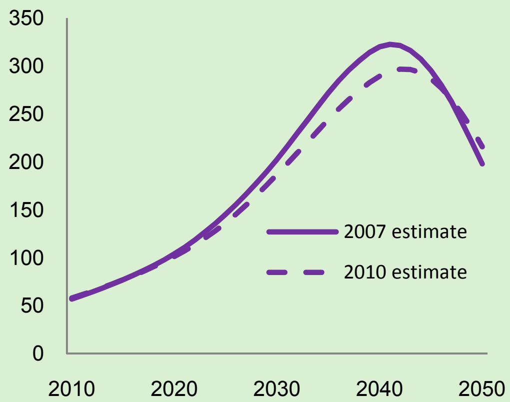
Total UK deaths, 000s, 2010 – 2050



Source: Government Actuary's Department

Chart 2.Core Boomers will die a little later than previously forecast

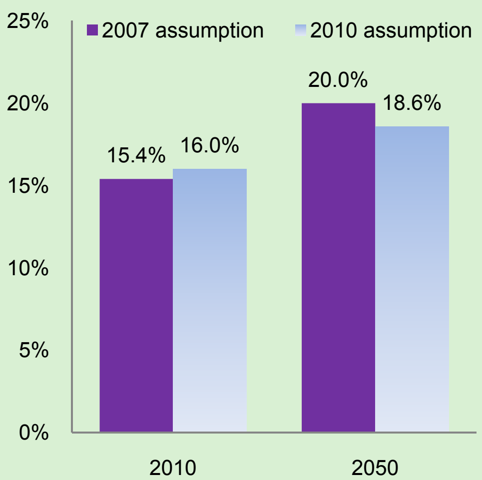
Core baby boomer deaths, 000s, 2010 – 2050



Source: Government Actuary's Department

Chart 3.The growth in the proportion of wills containing a charitable bequest will be a little less than previously thought

% of wills containing a charitable bequest



Source: Legacy Foresight

The focus group findings 2010

Overall, there were some notable differences in boomers' attitudes now versus 2007, with important implications for charitable support in general, and charitable legacies in particular. The boomers we spoke to still recognised that they are a 'golden generation', thanks to a combination of good fortune, hard work and prudence. Most of these boomers were happy with their lives now, and (as in 2007) felt they were in a relatively 'good place'. However, overall levels of satisfaction were lower than before the global recession struck.

The main change was in their level of financial confidence, which clearly affected how they felt about their futures in general. Many of the things that boomers thought they could rely on (such as rising house prices, moderate savings rates, dependable banks, and Civil Service pensions) had been damaged or swept away. Although there had been some recovery since the 'crunch' first hit, the boomers felt that problems were far from over, with no guarantee that things would *ever* be the same again. The increased level of uncertainty made everyone more cautious, with far less evidence of the 'live for now' mentality seen in the 2007 research.

One of the notable changes since 2007 was the opening up of a gap in confidence between those with high and medium wealth. While 'high wealth' boomers (those with property worth £375k+, private pension and investments) had seen their assets decline in value, they still felt very comfortably off, so were not particularly concerned for the future and had made no change in either their behaviour or their future plans. On the other hand, 'mid-wealth' boomers (with property worth £187k+ and a private pension) had seen their assets more seriously damaged by the recession, and were therefore much more concerned about their financial situation, with impact on their future plans and current spending and lifestyle choices. Many felt that their options were now more limited and their horizons were closing in. Most mid-wealth boomers had changed their day to day spending habits and priorities because they felt they *ought* to. All said they thought more carefully before they spent money, reassessing what was important to them, and the value of what they purchased.

There was also a widening confidence gap between different family groups. Single women (traditionally a vital audience for legacy marketers) felt the most exposed to the economic situation, since they had no-one else to rely on. They often felt concerned about meeting the day to day bills, and had adjusted their current lifestyle and future expectations accordingly. For this group, there was a constant trade-off between a desire to 'live a little' now and prudence for the future.

Couples with children, and particularly those with grandchildren, felt anxious for their offspring's future, if not for their own. Many doubted that their children would have the opportunity to find a good job or get on the housing ladder as they had. And when it came to grandchildren, whose futures were almost impossible to predict, there was even greater anxiety. Therefore, they were concerned to preserve their assets in case of future eventualities as yet unknown.

Couples without children (again, a key audience for legacy marketers) were the least worried, since they had fewer liabilities and more flexibility. Most were confident that they could adapt to changing circumstances as necessary, with the freedom to 'spend down' their assets if required.

Whatever their financial position or family circumstances, all boomers were resentful of the 'architects' of the financial situation and what they saw as circumstances beyond their control. While they had 'done their bit', they felt that they had been thwarted by global forces, greed and incompetence.

Given the above, there was perhaps inevitably some retrenchment with respect to boomers' charitable giving, particularly among the less wealthy. While most had not dismantled existing relationships, respondents appeared less likely to take on new ones. Some had cut back on spending that was more discretionary or impulsive, while others seemed more reluctant to commit to regular giving by direct debit. Boomers also appeared more sensitive to how well charities spent their money, with added criticism for "high administrative costs" and "unnecessary waste".

Because many were scrutinising their spending more, there was a desire for value and to know their money was being well spent. They wanted to see what difference their contribution would make to a project, place or person. Some felt it was better to give to smaller charities, where the money 'meant more'. It would appear that many were favouring local and national charities because of this – supported by the belief that when times are tough, it's more important to 'look after your own'. Perhaps aside from high profile disasters, there was resistance to giving money to countries and causes believed to be beset by corruption, and conversely a greater demand for charities to account clearly for themselves and 'run tight ships'.

A small minority of those boomers with children had left, or planned to leave, a charitable legacy. For the boomers without children, the likelihood was higher, but they were still a minority. Legacies were usually seen as a continuation of the help and support that they were giving to charities now. Equally, many of those against leaving a legacy thought they had already 'done their bit' by supporting charities in their lifetime.

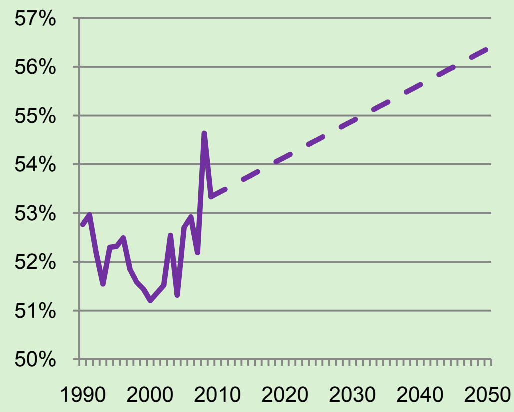
Once again, it was clear that those with children – and even more so those with grandchildren – put their family first. For these people, the ongoing economic uncertainty made them more protective of their family than in 2007. However well set up their children might seem when they died, the potential for crisis meant that their children's need for money would always be there. If they had grandchildren, they felt the need to secure their children even further, so that *they* in turn could help those grandchildren. For all but the wealthiest, this left less space in their wills for charity.

Boomers without children evaluated the needs of their extended family more rationally and objectively. In general, they were less likely to believe that family would have an all-encompassing need for their assets. While very few had decided to leave family/friends out of their wills completely, charities were as likely to be included on the grounds of need.

For all respondents, tangibility and transparency in legacy giving were vital – not least because they would not be around to scrutinise or control how their gift was used. This made it even more necessary to believe that money would not be wasted, and more helpful to see explicitly what it would achieve. The more a legacy could be brought to life in terms of what it means to

Chart 4.Pecuniary bequests are gradually taking a larger share of the total – and we expect this to continue

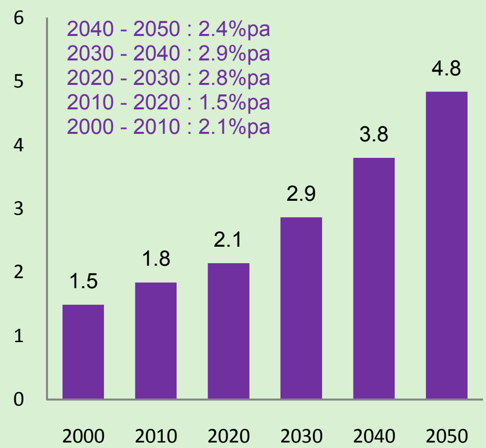
% of notifications pecuniary, %, 1990 – 2050



Source: Legacy Foresight

Chart 5.What we're forecasting now

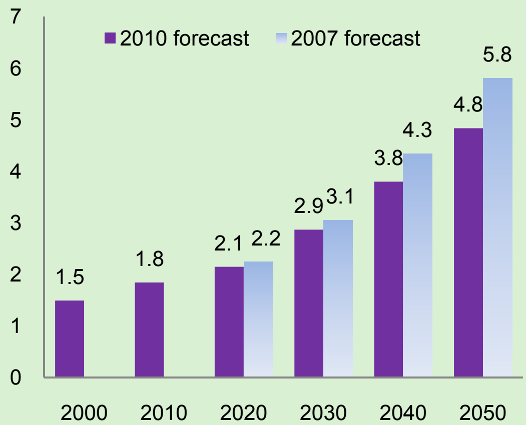
Total legacy income, 2000 – 2050, £bn 2010 prices



Source: Legacy Foresight

Chart 6.A comparison of the forecasts

Total legacy income, 2000 – 2050, £bn 2010 prices



Source: Legacy Foresight

beneficiaries, the better. For some, the idea of donating to small but achievable projects was attractive. Some wondered if they could allocate some money in their will for charity, while passing on the decision to their children. Others were thinking of setting up a fund that could be carried on into the future, and perhaps be added to by others in memoriam.

The revised outlook

Back in 2007, in order to quantify the impact of the baby boomers on the legacy market, Legacy Foresight produced income forecasts for the entire legacy sector, in five fifteen-year snapshots from 1990 to 2050. The forecasts were developed using our proven model of the legacy market, incorporating assumptions and forecasts about a series of key factors including death projections, economic forecasts (GDP, house and equity prices), the number of childless women, the 'propensity' to leave a charitable will, the average size of estate upon death, and the mix of residual and pecuniary bequests.

For this project, the model and forecasts were updated to take account of key changes in demographic and economic trends as well as the new boomer mindset. A number of revised assumptions were fed into the model, and the most important are outlined below.

First, the projected number of deaths will be lower than expected in 2007. The latest Government Actuary's Department's death projections (2010) suggest that the number of deaths will continue to fall until 2018, rather than 2012 as previously predicted. In fact, as chart 1 on page 2 shows, the number of deaths will be lower each year until 2050. This is thanks to increased longevity in each successive generation. For example, a boomer male, aged 60, is now expected to live until he's 85.8 years old (6 months longer than previously predicted), while his female counterpart is expected to reach 88.6 years (8 months longer than last predicted). In other words, core boomer deaths will happen a little later than previously forecast – they now peak in 2042, with a long 'tail' stretching well beyond 2050. The reduced number of deaths will also feed through into fewer estates and fewer wills than was previously predicted in our model.

Second, based on the new focus group findings, we are a little less bullish about the boomers' 'propensity' to include a charitable bequest in their will. This is especially true for those boomers with children, who appear less willing to consider leaving any money outside their immediate family circle. As chart 3 on page 2 shows, we are still projecting a rise in the percentage of wills containing a charitable bequest – but now reaching 18.6% in 2050 (rather than 20% as previously predicted). As in 2007, we are assuming that the share taken by pecuniary gifts will continue to rise, as charities reach out beyond the 'traditional' legacy audience of childless and wealthy people, to a more mainstream mix of families and mid-wealth households.

The third group of changes to our model relates, unsurprisingly, to the economy. Since our last set of forecasts we have been through the worst recession since WWII. Although we have emerged from that recession, prospects for the next five years are significantly gloomier than they were three years ago. Also, in the longer term, most macroeconomic forecasters are now suggesting that GDP growth rates will be a little lower and the rate of inflation will be a little higher than previously thought.

Each of the factors mentioned above are likely to have a dampening effect on the overall legacy market. Chart 5 on page 3 depicts our new projections. Compared to the buoyant growth seen through much of the noughties (2.1% pa on average 2000-2010) growth in the next decade will be slower (1.5% pa) thanks to a combination of falling deaths and a sluggish economy. (Back in 2007, we were projecting 1.9% pa over this period). From 2020 onwards, growth rates again pick up, although each decade is somewhat slower than we last forecasted. By 2050, we predict that the legacy market will be worth £4.8bn in 2010 prices. That's more than two and a half times higher than now.

So, despite the increased demands on their resources and their current anxieties, the large numbers of boomers dying and their sizeable collective wealth means that the legacy market *will* grow strongly over the next 40 years. However, to get the best from this demanding generation, charities must satisfy their strong desire for tangibility, transparency and control.

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