

Living Forever: Baby Boomers and Posterity



'Living Forever' is a consortium research project, managed by Legacy Foresight on behalf of 28 British charities. It aims to be an authoritative source of information on baby boomers and their likely impact on the charitable legacy market over the next forty years. The project comprises a variety of research methods, including desk research, qualitative research, statistical modelling and forecasting. This summary report covers our key conclusions – Legacy Foresight consortium members also have access to a full findings report, including supporting reference materials.

Key Project Findings

- The demise of the large 'core' boomer generation (born 1946-57) will trigger a rise in deaths from 2012 onwards. Those deaths will accelerate from 2020 onwards, and peak in 2040.
- Contrary to popular belief, British boomers are not 'Spending the Kids Inheritance'. While they are looking forward to an active and comfortable retirement, future uncertainties, together with relatively modest lifestyles, are constraining extravagant spending.
- Indeed, many boomers are concerned about their children's future, and are giving considerable sums of money now to ensure their offspring's happiness before they die.
- Despite the increased demands on their resources, the large numbers of boomers dying and their considerable collective wealth means that the legacy market will continue to grow steadily over the next 40 years.
- Given the affluence of the boomer generation, their fondness for 'good causes' - and the ongoing escalation of legacy marketing - we expect the 'propensity' to leave a charitable bequest to continue to rise.
- We also expect to see smaller pecuniary bequests gain ground over residuals, as charities reach out to a new group of legators. This accentuates the need for charities to tailor their legacy messages to different segments of the overall market, and to develop innovative 'legacy' products and services.

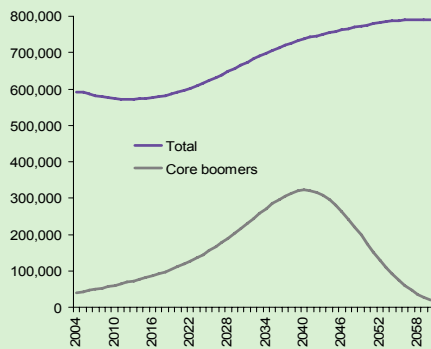
Baby Boomers in Context

In Britain, the term 'Baby Boomer' commonly refers to those 15.8 million people born 1946-1963. Within this broad group are two clear segments, with significantly different life experiences and attitudes: 'core' (1946 – 57) and 'shadow' (1958 - 63) boomers. In this project, our focus is on the larger core boomer group, currently aged between 49 and 60. **These core boomers will die over the next 50 years; with deaths starting to impact in 2012, climbing steadily from 2020 onwards, and peaking in 2040.**

Thanks to a combination of economic, social and demographic trends, the core boomer generation is significantly different to those born either before or after it. First, they have lived through a period of unprecedented peace and prosperity, and as a consequence are significantly more affluent than previous generations. They have enjoyed increasing levels of home ownership, and seen house prices rocket in real terms. They were the main beneficiaries of the golden age of the welfare state – gaining access to universal secondary education and public health services, and many have also accumulated private pension assets, be it through occupational or personal schemes. The post-war period saw a general shift to white-collar work, creating fluid social mobility. The period also saw dramatic increases in female participation in the workforce, alongside growing economic and social independence for women. At the same time, families have become more fragmented, with rising levels of cohabitation and divorce, and falling family sizes. Last but not least, the sixties era sparked new sexual and moral freedoms, and the emergence of a distinct youth culture.

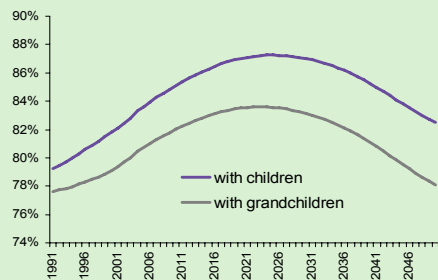
British boomers' collective attitudes reflect the times they have lived through. As a generation they tend to be individualistic, liberal and largely secular in their beliefs. Boomers – whatever their age - are youthful in outlook, fearing and rejecting many of the traditional assumptions about 'old age'. For this group, turning 65 is not getting 'old' – although perhaps reaching 80 will be! They see their fifties and sixties as a time for personal fulfilment, spending their spare time (and cash) on travel, hobbies and keeping fit. **Our research suggests an opportunity to engage the boomers' considerable energy and experience in volunteering – providing you respect their needs for independence, learning and variety.**

Total deaths and core boomer deaths: 2004 - 2060



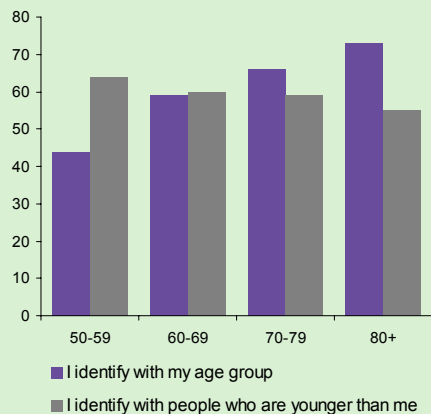
Source : Government Actuaries Department

Proportion of women aged 60+ who die with children and with grandchildren. By year of death



Source : ONS and Legacy Foresight

Boomers prefer to think they are young



Source : ACRS 50plus view Panel survey, August 2006

One symptom of this desire for adventure is the growing number of pensioners retiring to warmer climates. According to the IPPR, almost 10% of Britons of pensionable age now live overseas, and by 2040, this will have reached almost 17%. Their research shows that expats still feel a strong emotional affinity with their home country, including the brands they grew up with. At the same time, they are often confused by the legal complexities of owning – and then bequeathing – property overseas.

Communicating with this donor diaspora, and helping them to navigate the minefield of international inheritance law, will present both challenges and opportunities for charities.

Finally, as the first generation to experience the full-blown ‘consumer society’ – sparked by the introduction of commercial TV in 1955 – the boomers pride themselves on being confident and demanding consumers. They expect personalised service, and need to feel in control. To aid their choices, they want information; and they appreciate straight-talking and humour, rather than flattery. **To communicate effectively with boomer legators, charities will need to find a new tone of voice, and a new set of messages - the old rules will not apply.**

It is easy to be overly simplistic about the boomer generation. The 10 million core baby boomers are not one unified group, but form many shifting and overlapping segments. Broadly, there will be ‘two nations’ of boomers on retirement. The fortunate majority, with full work histories, private pension rights and their own homes, will be significantly wealthier than their predecessors were. **Most potential charitable legators will fall into this affluent ‘first nation’.** However, there will also be a significant minority, who will be dependent on inadequate state pensions and support.

Moreover, numerous research studies indicate that wealth, health and indeed happiness are strongly correlated – those pensioners with money will live longer, healthier and more satisfying lives than those on a low income. Therefore, while the prospect of care costs is a big concern for *all* elderly people, the reality is that wealthy people are less likely to go into residential care, and will remain there for shorter periods.

The coming decades will reveal significant changes in the family circumstances of legators. In particular, patterns of childlessness – so crucial to the legacies market – will change. In 1991, 21% of women died childless; by 2025, this figure will have dropped to 13%, as the surviving WW1 and WW2 spinsters all but disappear. However, **from 2025 onwards, the proportion of women dying childless starts to climb again, this time driven by the generation of post-war women who have not had children.**

Focus on the Target Market

Beyond understanding the boomer generation as a whole, our interest lay particularly in those people most likely to leave money to charity: more affluent households, with an expressed affinity to one or more charities. We also wished to probe the motivations of childless people, since they are so vital to the legacy market (currently accounting for over half the market by value). Focus groups and depth interviews were used to explore the expectations and motivations of the target market when it comes to retirement, financial planning and inheritance in general, and leaving money to charities in particular.

We found a group who are happy with their lives, and with the assets and experience they have accumulated. **These affluent, ageing boomers don't want to change the world. At best, they are pragmatic idealists – they may 'do their bit' on a personal level, but won't put themselves out to create wider change.** They are also sceptical about their *ability* to effect change – belief in politics and politicians is low – and many think the best bet is to look after themselves and their family.

Contrary to popular belief, most British boomers are not 'Spending the Kids Inheritance'. While they are looking forward to an active and comfortable retirement, future uncertainties - about long term care and pensions provision – together with relatively modest lifestyles, is constraining extravagant spending. Equity release to liberate housing capital is still regarded with suspicion - an option of last resort, and not to finance 'luxuries'. For most British people the family home is still sacrosanct. **The majority of boomers are best described as OWLS : Older People Withdrawing Loot Sensibly.**

Although confident in their own financial circumstances, many are concerned about their children's future. Compared to the world the boomers grew up in, today's world is seen as hard for young people, due to job insecurity, the high cost of housing, education fees, stress and so on. Therefore, **many boomers are giving considerable sums of money now to ensure their offspring's happiness before they die.** This attitude was in marked contrast to today's 70-80 year olds, who have fewer concerns about their children's financial security, and less willing (or able) to continue to support them. This is a *generation* effect, rather than an age one.

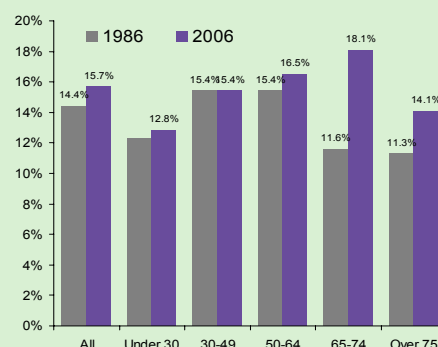
The majority of boomers surveyed plan to leave their estate to their children, and were hard-pressed to consider any other option. As well as rational reasons, convention and emotional issues remain powerful motivators. **For those with grandchildren, family ties become even stronger, and views about leaving money to the family more entrenched.**

For those without children, the propensity to leave to charity was far stronger. **There are signs that – compared to the older generation – childless boomers are more willing to question conventions about who to leave money to, and less likely to automatically bequeath to more distant relatives or friends. This is an opportunity for charities.** However, it must also be remembered that this group will be more willing – and thanks to equity release (which will inevitably become more trusted), more able – than before to 'use up' their money before they die.

Perhaps surprisingly, given the hype, the boomers we questioned were modest in their desires for posterity. They do not want to see themselves living on through bequests, and resist the lure of 'recognition after death'. But, **they are open to the idea of marking someone else's life (e.g. a spouse), and keen to ensure that they have the 'right' send-off (retaining control, even after death!). This suggests more opportunities to encourage donations – both small and large - in remembrance of a loved one.**

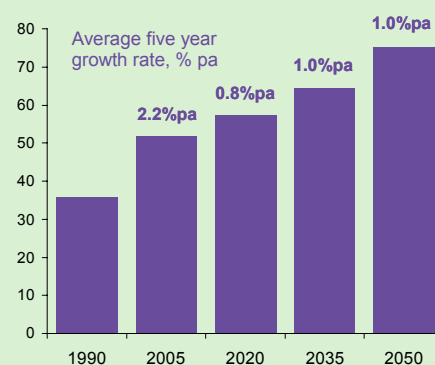
For all boomers, the expectation of service and value is ingrained. They desire proof that any money given in a will (for many their largest single donation) should be spent wisely – **boomers' natural cynicism means charities will have to work harder to prove the value and effectiveness of their actions.**

Proportion of weekly expenditure spent on recreation and culture 1986 versus 2006



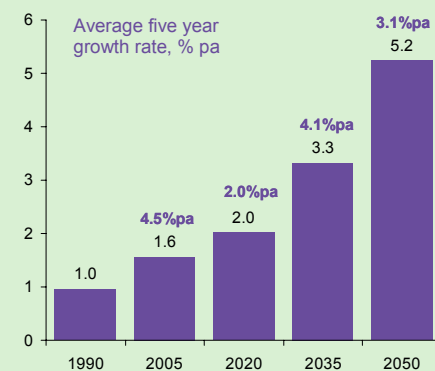
Source : Legacy Foresight analysis of Family Expenditure Survey, ONS

Average residual bequest, 1990 - 2050 £000 2006 prices



Source : Legacy Foresight model

Total legacy income, 1990 - 2050 £bn 2006 prices



Source : Legacy Foresight model

Outlook

In order to quantify the impact of the baby boomers on the legacy market, Legacy Foresight has produced income forecasts for the entire legacy sector, in five fifteen-year snapshots from 1990 to 2050. The forecasts have been 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.

Thanks to the large size of the boomer generation, and their substantial accumulated wealth (despite the increased demands on their finances), we are predicting good growth in the legacy market. Over the past fifteen years, legacy income has grown by 4.5% a year (having accounted for the effects of inflation). Looking ahead, a very different pattern emerges. Over the next fifteen years, (before boomer deaths have much impact, and at a time of housing market retrenchment) legacy income will grow by just 2% pa. However, between 2020 and 2035, (as boomer deaths accelerate and the housing market resumes its long term course) legacy income will again grow by more than 4% pa. Between 2035 and 2050 (beyond the boomer death peak), legacy income will grow by a further 3.1% pa. **By 2050, the legacy market will be worth £5.2bn (in 2006 prices), compared to £1.6bn today.** (see the charts on page 3 for detail).

Given the boomers’ affluence, their fondness for good causes, and the continued escalation of legacy marketing by charities, **we expect the ‘propensity’ to leave a charitable bequest to continue to rise.** Later in the forecast period

(2025 onwards), the increased incidence of childless boomers dying is likely to push it up still further. Since much of the growth will come from a new type of legator, **the proportion of smaller pecuniary bequests is set to increase. This accentuates the need for charities to tailor their legacy messages to different segments of the overall market, and to promote new forms of legacy giving, such as ‘legacy tithes’.**

While prospects for the legacy market overall are positive, not all charities will share equally in the future growth. Our past work has shown that tracking the causes people grew up with can provide insight into the organisations they bequeath to. Analysis of successive waves of charity start-ups over the past 150 years suggests that **boomers are most likely to leave to charities in the fields of poverty relief and prevention; education; and the advancement of arts, culture, heritage and science. Charities in health, conservation, welfare and housing will continue to perform well.** However, some of the ‘stalwarts’ of today’s legacy sector - religious charities, those supporting the disabled or elderly; and to a lesser extent animals’, children’s and armed services charities - are likely to see their market share decline.

Looking further ahead, the ‘shadow’ boomer generation (born 1958 – 63) will demonstrate a very different set of attitudes – less financially secure, more highly qualified (especially women), and more liberal and multi-cultural in outlook. **Communicating with the shadow boomer group will require another new mindset, and a fresh set of legacy messages.**

Charities founded in 50s and 60s will see the fastest growth



Source: Legacy Foresight analysis of Caritas database

Legacy Foresight is a consortium research programme aimed at understanding and predicting the charitable legacy market. The programme has been running for twelve years, involving some forty national charities. We would like to thank our consortium members for approving this summary report, which has been produced in association with Remember A Charity. We would particularly like to thank the six organisations who gave their time to be on the Steering Group, and Age Concern Research Services (ACRS) for supplying their Liferforce and 50plus view Panel data.

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 remember a charity in your will

