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Intergenerational financial planning: A Roadmap For Families

Intergenerational financial planning is about creating a structured approach to managing and transferring wealth across generations.

For British families, this process is increasingly vital as economic pressures, complex family dynamics and evolving tax rules shape the financial landscape.

By starting early and building a clear roadmap, families can secure their financial future, support loved ones and navigate challenges like inheritance tax (IHT).

This piece explores why intergenerational planning matters, how to begin and the benefits it brings.

Why it matters for parents

For parents, intergenerational financial planning offers a way to provide meaningful support to their children while maintaining financial security in later life.

By planning ahead, parents can help fund significant milestones, such as university education or house deposits.

For example, the average UK house price is £268,000 according to HM Land Registry, and a circa-10% deposit of £27,000 is a daunting sum for most young adults. Parents who plan early can set aside funds to ease this burden.

Beyond practical support, planning provides peace of mind. Parents can ensure their wealth is distributed according to their wishes, reducing the risk of disputes or unintended tax liabilities.

With IHT charged at 40% on estates above the £325,000 nil-rate band (or £500,000 for homes passed to children), early planning can minimise this tax burden.

Starting early also aligns with the IHT seven-year rule, where gifts made more than seven years before death are exempt from IHT, making early, proactive planning essential.

Why it matters for children

For children, intergenerational planning provides a financial springboard in an era of economic uncertainty. Access to funds for education, such as covering tuition fees (£9,535 per year for most UK universities) or postgraduate studies, can reduce reliance on student loans and improve their income levels once working.

Similarly, contributions toward house deposits can help young adults get on the property market sooner, avoiding years of renting and saving.

Planning also equips children with financial literacy. Involving them in discussions about wealth transfer, savings or investments fosters an understanding of money management, preparing them for future responsibilities.

It can also help clarify for children what to expect from their parents' estates and how these factors can impact their own plans, decision-making, spending and saving.

Modern families are complicated

Modern families are often complex, with blended families, second marriages and non-traditional structures becoming common.

According to the Office for National Statistics, more than 400,000 families in England and Wales are blended - involving stepchildren or half-siblings.

These dynamics can complicate wealth distribution, as parents may need to balance support for biological children, stepchildren or new partners. Without clear planning, disputes over inheritance can arise, leading to costly legal battles.

Longer life expectancies also add complexity. Parents may live into their 90s, delaying inheritance until children are in their 60s or older.

Additionally, potential changes to pension inheritance rules, underscore the need for proactive planning to preserve wealth.

Creating a roadmap for passing on wealth

Starting intergenerational financial planning requires a clear, step-by-step approach. First, families should assess their financial position, including assets, savings, pensions, and liabilities.

Consulting a financial adviser like ourselves is always wise, as we can tailor strategies to individual circumstances, such as setting up trusts or maximising tax allowances.

Next, families should define their goals. Are they prioritising education, property or retirement security?

For example, a parent with children under 18 could establish a Junior ISA (with a 2025 allowance of £9,000 annually) to fund a grandchild's education.

Clear goals help determine the tools needed, whether gifting, trusts or pension contributions.

Communication is crucial. Holding open discussions with family members ensures everyone understands the plan and their roles.

This might involve explaining a will's contents or discussing how gifts will be distributed. Legal documents, like a will or lasting power of attorney, should be updated to reflect the plan.

Finally, families should review their plan regularly, especially as tax rules or family circumstances change.

The importance of starting early

Starting intergenerational planning early is critical, particularly due to the IHT seven-year rule.

Gifts made more than seven years before death are exempt from IHT, allowing families to transfer significant sums tax-free. For example, each parent can gift £3,000 annually without IHT implications and larger gifts can be made if the donor survives seven years.

Delaying planning risks missing this window, especially as life expectancy is unpredictable.

Early planning also maximises flexibility. Parents can allocate funds for immediate needs, like education, while preserving wealth for later transfers.

By starting early, families can also spread financial support over time, reducing pressure on their own finances.

Benefits beyond the financial

The benefits of intergenerational planning extend beyond money. It strengthens family bonds through shared goals and open communication.

Parents gain confidence knowing they've supported their children's futures, while children benefit from reduced financial stress and greater opportunities. Planning also preserves family legacies, ensuring wealth is passed on efficiently and in line with personal values.

Intergenerational financial planning is a cornerstone of financial security for UK families. It creates a roadmap, addresses IHT considerations, and by starting early, families can navigate modern complexities and provide lasting support. Doing so with the support of professional financial planning is essential.

Whether funding education, securing a first home or minimising tax, the rewards of planning are profound, offering both financial stability and emotional reassurance for generations to come.

To see how we can help you with your intergenerational financial planning then please get in touch.