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RISE IN OLDER PARENTS PUTS PRESSURE ON FAMILY PURSE STRINGS

The prospect of financial hardship looms large for people who start families later on in life. A growing number of people aged 40 and over are having babies and unless they start planning to finance their children's education now, Prudential is warning that they could end up with an expensive bill in their retirement and many will be officially classed as living in poverty.

Whilst Madonna, Iman Bowie and Michael Douglas are all examples of parents who may be in possession of a bus pass by the time their recently born children are graduating from university, not everyone is as readily prepared for financing children into their seventh decade.

Prudential believes that pensions, with their attractive tax benefits, could be a mainly unexplored option to save for their children's higher education.

The late blossoming generation[1]:

- In 1999 over 14,000 women aged over 40 had babies;
- In 1989 the figure was just over 9,000 women aged over 40;
- Eleven per cent of all new born babies in 1999 had a father aged 40 or over;
- In 1989 the figure was just under eight per cent**.**

Andy Briggs, Director of Pensions at Prudential said: "Having children later in life gives you more to worry about than whether or not you’ll be the oldest and slowest parent at Sports Day. When you thought you’d be enjoying their retirement, you may have to continue working or dramatically reduce your disposable income to pay for education costs."

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Based on an average rate of inflation of 3%, parents will need around £12,000[2] a year to send their child to university in 18 years time. Furthermore, they can expect to spend around £50,000[3] on their children for the first seventeen years of their lives, excluding the cost of private education.

Andy Briggs concluded: "Up to 61%[4] of people in retirement live in poverty or on low incomes and unless older parents with small children start planning now, they could be included in this category when they retire. However, if they use their pension funds effectively, they could ensure that they not only have enough income for themselves in retirement, but also pay for their children's higher education."

However, the first point to ensure is that you are paying enough into your pension to provide you with an adequate income when you want to retire. Once you are happy with this, the benefits of using your pension to fund your child's higher education include:

- Tax benefits - income tax on pension contributions are refunded. This means that if you are a higher rate taxpayer, for every pound you pay into your pension, the Government will contribute 66 pence;
- Tax free income. If you have a personal or stakeholder pension, you can take up to 25% of your fund tax free when you reach 50;
- Low charges. With the introduction of stakeholder pensions that have annual management charges of 1% or less, all pension charges have fallen;
- Additional Voluntary Contributions (AVCs and FSAVCs). If you are a member of an occupational pension scheme, you can make extra contributions through AVCs. In some cases, your employer will match your contributions and they will also pay the charges.

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Notes to Editors:

1. National Statistics: Birth Statistics, Review of the Registrar General on births and patterns of family building in England and Wales, 1999, Series FM1 no.28.
2. Tunbridge Wells Equitable Friendly Society 2000.
3. Joseph Rowntree Foundation 2000.
4. Hepworth and Twine, 1990.
5. For further information on Prudential pensions customers can call 0845 070 3333* or log on to www.pru.co.uk.

* Calls may be recorded or monitored to improve our service.

For further information, interviews with spokespeople or case studies contact Prudential Press Office:

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