Housing wealth and household welfare

WS2: The dilemmas of using or saving housing wealth among adults aged 35-65

MIND THE £££ WEALTH GAP
Intergenerational Justice and Family Welfare

Homeownership and housing wealth

The majority of participants perceived building assets and 'pensions' via homeownership as not just the best but the only way (n=80/112). There was no sense of housing wealth being 'unearned' but indeed deserved given individual strategies of 'choice' and 'risk' built upon personal expectations, ambition and sacrifice. For tenants (n=32), however, the idea of tenure 'choice' (and its associated attributes) was not applicable, as they lacked the funds and were unable to buy; those with children regretted or even resented not having the opportunity to buy as they were not able to pass on housing wealth.

Still, many homeowners (40/80) saw their owned house wholly as a home and a further 36 as a twined identity of home-and-asset: *"Luckily they both go the same way. A better place to live is more expensive and is also a better investment"* (m, 54). Only four participants saw their house as just an asset. The perceived role of housing wealth differed according to the available wealth portfolio (across a range of financial assets), the presence, or not, of children and their economic situation. Meanings also changed along the life course: *"my house is a place to live now and the ups and downs of the housing market aren't really important to me anymore"* (m, 60). A sense of control was important. Participants may plan to upsize/downsize as part of their saving/pension plan, organise elderly care through housing equity or refamilisation but they feel reluctant to use housing wealth as a safety-net since this may jeopardise their place of home. Given current arrangements, private tenants tended to be deprived of both housing wealth and a sense of home.

Mortgage debt and equity borrowing

Preferences for homeownership stem from long-term financial advantages – creating an asset at the same cost as renting – while offering a better place of home. This mental framework and historic growth in house prices have obscured the extent of indebtedness ('debt amnesia'). Most participants aimed to clear mortgage debt before retirement and hoped to pass on wealth to their children (or other family members/friends for childless households). However for 15 participants, divorce, illness or economic marginality resulted in difficulties in paying the mortgage and/or mortgage being extended into retirement. Some social and private tenants' (4/18 and 2/14, respectively) previous homes had been repossessed or sold off to avoid repossession, yet some of them hoped to be able to buy again.

Participants felt reluctant to engage in debt in order to help children (except as a last resort in the case of a crisis): *"where my children are concerned, I would help them out. But that doesn't mean I would… I certainly wouldn't put myself in debt to help them out!"* (m, 50). Yet many homeowners (37/80) have engaged in equity borrowing at least once. Re-mortgaging for <u>home improvements</u> (n=20) was considered a 'morally correct' project: *"I think I can justify it to myself to spend it on the house but not to go and have a great holiday or buy a car"* (m, 54). Nonetheless, some participants (n=2) admitted they ended up spending large sums on other things: *"I ended up wasting some of it. I had work done but then you end wasting money which I shouldn't have done, really!"* (f, 46).

Re-mortgaging was also acceptable as a safety-net for clearing unsecured credit (n=5): "*I mean I wish I had the common sense not to build up the unsecured debt, but the fact you have the ability to pay it off is good"* (m, 58); buying a partner out (n=5); clearing business debt to avoid bankruptcy (n=1) and to overcome family problems (n=1). However, 5 participants re-mortgaged for high days (expensive holidays, cars, boats). They tended to be quite affluent, yet some had since experienced a change of circumstances and sustaining the mortgage had become problematic. Re-mortgaging was the preferred strategy to create/develop rental portfolios (n=2). Overall, the use of equity borrowing was profoundly regressive as it was rewarding for the most affluent and hazardous for those less affluent.

Protection against multi-scalar uncertainties

There was a clear awareness of risks from multi-scalar uncertainties spanning from local (family; housing markets) and national (demography; labour markets) to global scales (economic crisis; financialisation). Given these complexities, middle/high income participants tented to take out insurance cover. Low-income participants could only 'do one's best' and 'not worry for what one cannot control'. However notions of 'good' and 'bad' luck were recurring in all participants' narratives. Concerns for welfare were addressed by taking risks to increase returns (via homeownership, landlordship and a balanced wealth portfolio particularly by the better off); increased employment (particularly by some baby-boomers and the least affluent); and savings for rainy days (for different economic groups these ideally ranged from 3-month outgoings to two years' salary). Covering risks through their own effort was clearly preferred by participants however there were expectations for recourse to the welfare state in the case of 'bad luck'.

Family support and wealth inequality

Many participants received family support to buy their homes. Support was more frequent among those aged 35-49 (10/25) than 50-65 (14/55). Fewer received inheritances. Awareness of inequalities were clearly observed: *"I am in a bizarre situation because some people never inherit anything and some people inherit more than I did. It's a very strange position, I think"* (m, 55). Importantly, financial family support was not considered life-changing neither by the least or the most affluent participants. This and additional evidence clearly showed that family transmission of wealth reinforced existing inequality.

There was no sense of entitlement/reliance but rather gratefulness at receiving an inheritance/gift. The increased importance of family support triggered emotional dilemmas: *"I'd rather she was here ... And I think she is very pleased to be able to help when she's not here anymore. But you know, mixed feelings"* (f, 46). Conversely, there was a sense of pride and legacy in being able to bequeath whether it did make a difference to children's lives or not. There were strong cultural norms for equal bequest among children, even when one was significantly worse/better off. If a significant gift was offered to one child, either all children were gifted equal sums or the gift was discounted from inheritance.

While family solidarity may be celebrated from a social perspective, the transmission of wealth down the family generation may elicit harmful consequences at both the individual and societal level. While progressive taxation of income seemed legitimate, taxation of wealth continued to be seen as 'double taxation'. Unsurprisingly, there was no appetite for taxing (housing) wealth in general but only partially for the most affluent. Taxing inheritances was clearly a political option held by just a few. More broadly, this also indicates that the justification of wealth inequality was endorsed as a personal achievement or failure.

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