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With inheritance about to divide millennials into haves and have-nots, solidarity comes at a price

Adapted from *The Guardian*, by Elle Hunt, Wed 3 Jan 2024 11.00 CET

A wealth transfer is under way, driven by legacies and parents 'giving while living'. Will young recipients still care about the less fortunate?

The millennial generation, we've long been told, is also generation rent: prevented from buying a home of their own, and growing their wealth with it, by an unfavourable economy or too much avocado toast, depending on who you ask.

The stats are by now familiar, but dismal nonetheless. The rate of home ownership has plummeted due to coalescing crises of pricing and supply. Few millennials own homes. In 2017, 35% of 25- to 34-year-olds were homeowners, compared with 55% in 1997. Similarly, they make up just a fraction of property owners overall. In 2022, just 10% of homeowners in England were aged under 35.

City-dwelling millennials, in particular, can seem darkly resigned to their fates as lifelong renters: according to a Zoopla survey, just one in five adults aged under 40 believe they will "definitely" be able to buy their own home in the next decade.

The economic short straw drawn by the millennial generation has been one of its defining traits, and source of fractious comparison with baby boomers in particular. The divide often described between the two – the "warfare" of poor, precarious millennials versus rich, oblivious boomers – was always a simplification, but now it's breaking down as older generations begin to share their good fortune with their children.

The image of millennials as reluctant forever-renters is increasingly being tested by the transfer of intergenerational wealth, always looming but hastened by the pandemic.

Coronavirus caused the biggest loss of life in the UK since the second world war, but it was not what demographers would call evenly distributed. Of the 208,000 "excess deaths" recorded in the UK between March 2020 and May 2023, the majority were elderly people. These deaths are no less tragic or untimely for their advanced age, and must be acknowledged and mourned. But one other consequences of this premature loss of life evaded mainstream scrutiny: the mushrooming amount of inheritance tax, indicating – to use the language favoured by accountancy firms – a rise in "wealth transfers" downward.

According to Treasury figures, inheritance tax (IHT) reached a record £7.1bn in the most recent tax year. The 2021-22 year was also record-breaking, with £6.1bn: itself an increase of 14% on the preceding period. Investment platform Hargreaves Lansdown concluded in an analysis that "the peaks in IHT revenue align with surges in deaths due to the virus".

With the pandemic, the transfer of wealth from one generation to the next was suddenly and unexpectedly sped up, and many members of generation rent have found themselves beneficiaries of a windfall they might not have expected – for decades to come, or ever.

As you'd expect, inheritance tax is a concern only for the wealthiest Britons, with the vast majority of estates processed worth under £1m. But properties worth less are also being traded between generations; many wealthy families also engage in "giving while living" so as to minimise tax. A study recently published in the Economic Journal found that £11bn of bequests[1] are made annually in these sorts of private transfers, on top of a further £99bn given through wills. Separately, the Institute for Fiscal Studies found that parents give away or loan about £17bn to their adult children every year.

For millennial solidarity, it's all a fly in the avocado toast. For the best part of a decade, we have been characterised (and characterised ourselves) as struggling and structurally disadvantaged. For many, of course, that remains the case. But the uneven distribution of Covid-driven change means that many people in their 20s and 30s, who might truthfully have said in 2019 that they had no hope of ever getting on the property ladder, have since had their fortunes unexpectedly changed.

It forces the question of how we talk about generational inequality, and how we act when it no longer applies to us. Increasingly, in this so-called "asset economy", family wealth, inheritance and class are being recognised as more relevant to your disadvantage than the year in which you were born.

As acknowledged by the Pew Research Center's recent changes to its research on generations and groups, labels like millennials, zoomers and boomers are often invoked cynically to stoke tensions, emphasising minor points of difference to distract from similarities or nuance.

Responding to findings of "giving while living", Prof James Sefton, of Imperial College Business School, suggested that the fact that older generations are "passing down what they can" was proof that the divide between boomers and millennials was overstated, if not unnecessary.

[…] The "wealth transfer" under way is driving an increasingly pointy wedge between us, challenging the ways we've always conceived of ourselves as a group. Increasingly, we millennials will face a choice. Will those who find themselves lifted up on to the property ladder continue to act in the interests of those lifelong renters, whose ranks they'd always believed they'd belong to? Or will they act to protect their new assets?

[…] An analysis by the centre-right thinktank Onward gives reason for optimism. It declares millennials to be "the first generation not to become rightwing as they age", with housing and taxation identified as being of particular importance. The question is whether that trend will persist through the continuing wealth transfer.

Keir Milburn, author of Generation Left and co-director of Abundance, believes that it will, in part because of younger people's awareness, unlike any generation before them, of the randomness of fortune.

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[1] money or property that you ask to be given to a particular person when you die

He says that millennials who inherit property are less likely to believe that it is “deserved or legitimate in any way”.

[…] Younger people generally understand that “individual outcomes have structural causes”, and economic disadvantage is rarely overcome by willpower alone. The Onward report corroborates this, finding that millennials believe “that a person’s position in society is due to outside factors” and equality should be prioritised over economic growth.

Only time will tell if millennials will remain so fair-minded at the expense of their own pocket linings – but coming into baby-boomer wealth doesn’t have to mean taking on their politics. You’d suspect that millennials will be unlikely to forget their years of renting and feeling shut out of home ownership, even if they should find themselves unexpectedly on the other side of the fence.

In the meantime, we should try to do away with superficial divisions between generations, and seek solidarity along more meaningful lines than the year we were born. (1071 words)

1. READING COMPREHENSION

Answer the following questions in your own words.

- Any passage including 3 or more words in sequence taken from the source, or paraphrase without citation will be penalized.

- 50 words minimum / question.

1. Explain the sentence below:

   Increasingly, in this so-called “asset economy”, family wealth, inheritance and class are being recognised as more relevant to your disadvantage than the year in which you were born. (l.47-49)

2. What does the expression “giving while living” mean?

3. Explain the consequences of the coronavirus on the wealth of some millennials.

4. Why are millennials often called “generation rent”?

2. ESSAY

Discuss the statement below (400 words, +/- 10%; use a / every 50 words).

Please mention the number of words at the end of your essay.

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(l.50-52)