

Inheritance in Great Britain, 2008/10

Coverage: **GB**

Date: **29 October 2013**

Geographical Areas: **Country, GB, Region**

Theme: **Economy**

Key Points

- 1.6 million adults (3.6%) had received an inheritance valued at £1,000 or more in the two years preceding being surveyed.
- Although half of inheritors received less than £10,000, one in ten inherited £125,000 or more.
- The combined total of all inheritances received over the two year period was estimated at £75.0 billion.
- Nearly nine in every ten inheritances (88.4%) comprised, at least in some part, of money or savings. Property formed part of 19.5% of inheritances and personal possessions such as jewellery or collectibles were included in 12.4%.
- The most common action for those receiving property inheritance was to sell it and for non-property inheritance to save it.
- Rates of inheritance were higher for individuals living in households which already had the highest levels of wealth.

Inheritance in Great Britain, 2008/10

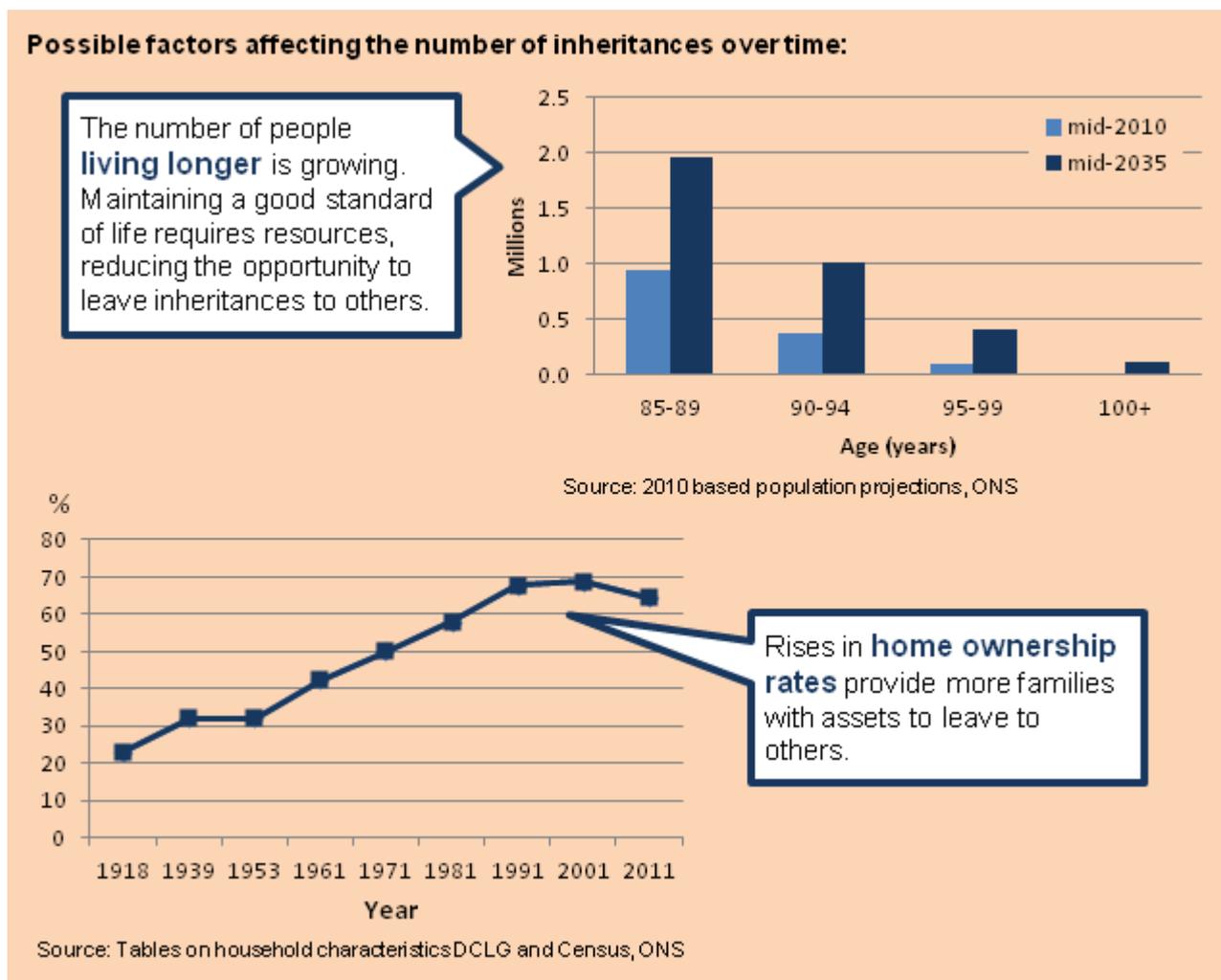
Introduction

Inheritance - the act of passing on assets such as property, money or personal possessions upon death raises a number of issues, central to public and political debate. The inter-generational transfer of wealth and assets can have a substantial impact on people's lives and those of their families. The following article uses data from the first two waves of the Wealth and Assets Survey (WAS) to improve understanding of recent trends in inheritance in Great Britain.

Numerous factors might lead to changes in the number of inheritances received over time. For example:

- **Population projections** point towards a growing older population in Great Britain. There are significant costs associated with living longer, whether to maintain a reasonable standard of living, or to pay for care bills. These financial pressures come during a time where incomes are likely to be lower than during working life. Such expenses are likely to diminish, if not exhaust assets which might traditionally have been passed onto others.

- **Lifetime gifts**, given prior to the death of the person offering the gift, hold a number of advantages over inheritances - namely the potential avoidance of inheritance tax and the ability to offer support when it is most needed. A choice to provide in this way, rather than through an inheritance will reduce the subsequent number of inheritances reported.
- **Home-ownership rates** have increased across much of the last century, rising from 23% in 1918 to a peak of 69% in 2001. This rise should increase the number of inheritances as more individuals possess a tangible asset to leave to others.



Inheritance reported does not consider all amounts received at any point in a person’s lifetime. Instead it only includes inheritances valued at £1,000 or greater and received within the two years preceding the interview.

How Many Inherited and How Much?

The percentage of adults receiving an inheritance valued at £1,000 or more in the two year period was 3.6% - or 1.6 million adults. This result is broadly consistent with a study published in 2008¹ by the International Longevity Centre (ILC) and NatCen based on the British Household Panel Survey and the English Longitudinal Study of Ageing, which found that between 4 and 5% had received an inheritance during a given two year period between 1998 and 2004.

Knowing how many individuals inherited as well as the value of the assets received is important. Certain inheritances might carry a strong emotional attachment. However, if inheritances are of little financial value they are unlikely to influence an individual's economic wellbeing or subsequent life choices. For example, inheritances of higher monetary value might permit recipients to pay off their mortgage, help children onto the property ladder or fund their university fees.

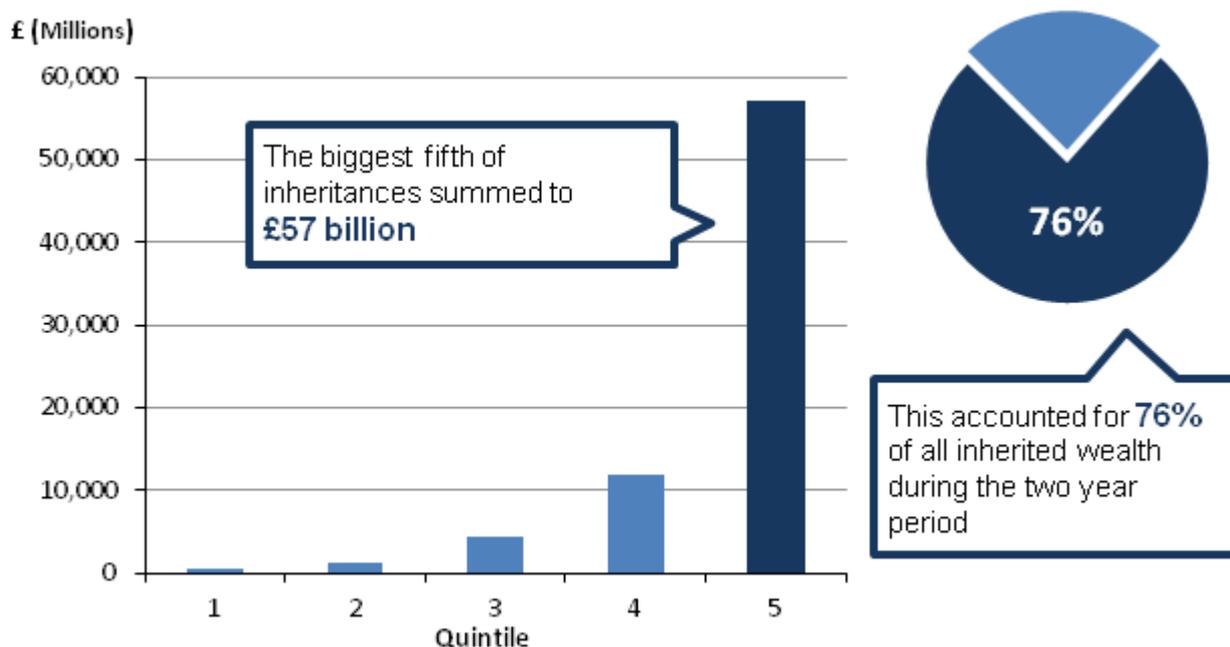
A tenth of inheriting individuals received no more than £1,000. Half of inheritors received less than £10,000 – but a tenth received an inheritance valued at £125,000 or more.

The combined total of all inheritances received over the two year period was estimated at £75.0 billion.

The Distribution of Inheritance Received

The inheritances received by a small few had a disproportionately higher value than the majority. Figure 1 illustrates that the sum received by one fifth of inheritors totalled £57.0 billion. This accounts for over three-quarters of the overall amount of inheritance received during the two year period.

Figure 1: Sum of inheritance received, by quintile, Great Britain, 2008/10



Source: Wealth and Assets Survey - Office for National Statistics

Notes:

1. Only inheritances valued at £1,000 or greater and received within the two years preceding being surveyed were included

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Who left the Inheritance

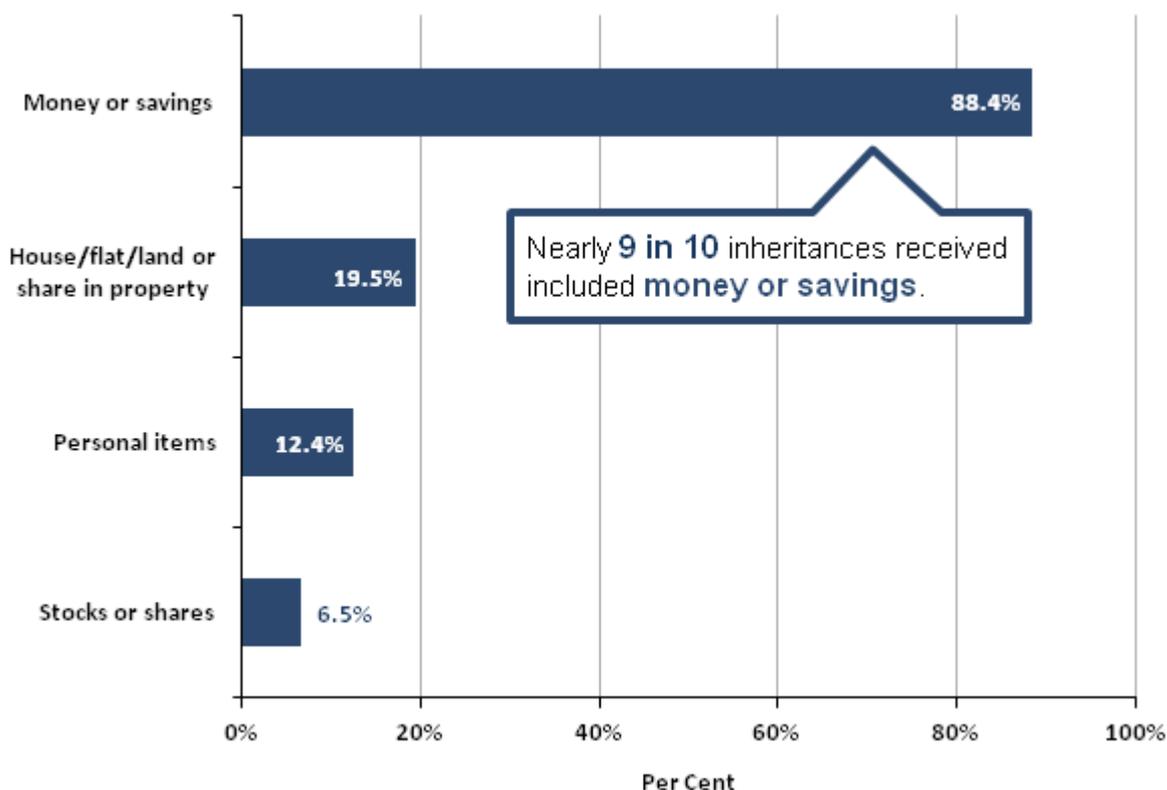
Almost half of inheritances (46.8%) came from a parent or parent in law, whilst just over a fifth (22.5%) came from grandparents. A surprisingly large number of inheritances, just over one in ten (11.1%), were received from an uncle or aunt. This finding might be explained by the uncle or aunt not having children of their own. One in 20 inheritors (5.0%) received assets from a non-relative like a friend or neighbour.

The Type of Inheritance

An inheritance may include one or more items, such as property, money or personal possessions (e.g. jewellery or collectibles) to name just a few. The percentages in the following analysis sum to well above 100% indicating the large number who had inherited more than one item.

Nearly nine in every ten inheritances (88.4%) received were at least some part comprised of money or savings (Figure 2). Just under one in five (19.5%) inheritances included property or land; one in eight (12.4%) included personal possessions and a further 6.5% included stocks or shares.

Figure 2: What was received as part of the inheritance: Great Britain, 2008/10



Source: Wealth and Assets Survey - Office for National Statistics

Notes:

1. Only inheritances valued at £1,000 or greater and received within the two years preceding being surveyed were included
2. Percentages add to greater than 100% because some inheritances comprised of more than one item

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Action Taken with the Inheritance

People may keep an inheritance or choose to use it in some way. It is important to remember that recipients here reported only inheritances received within a two year window. Decisions over what to do with the inheritance, most notably where a property was received, might well be different in the short term to the long term— particularly given the economic climate.

Looking firstly at the actions of those receiving property inheritances, half (50.0%) sold their property assets received. The second most common action with property inheritance was to live in it as a main residence - 17.9% of property inheritors chose to do this.

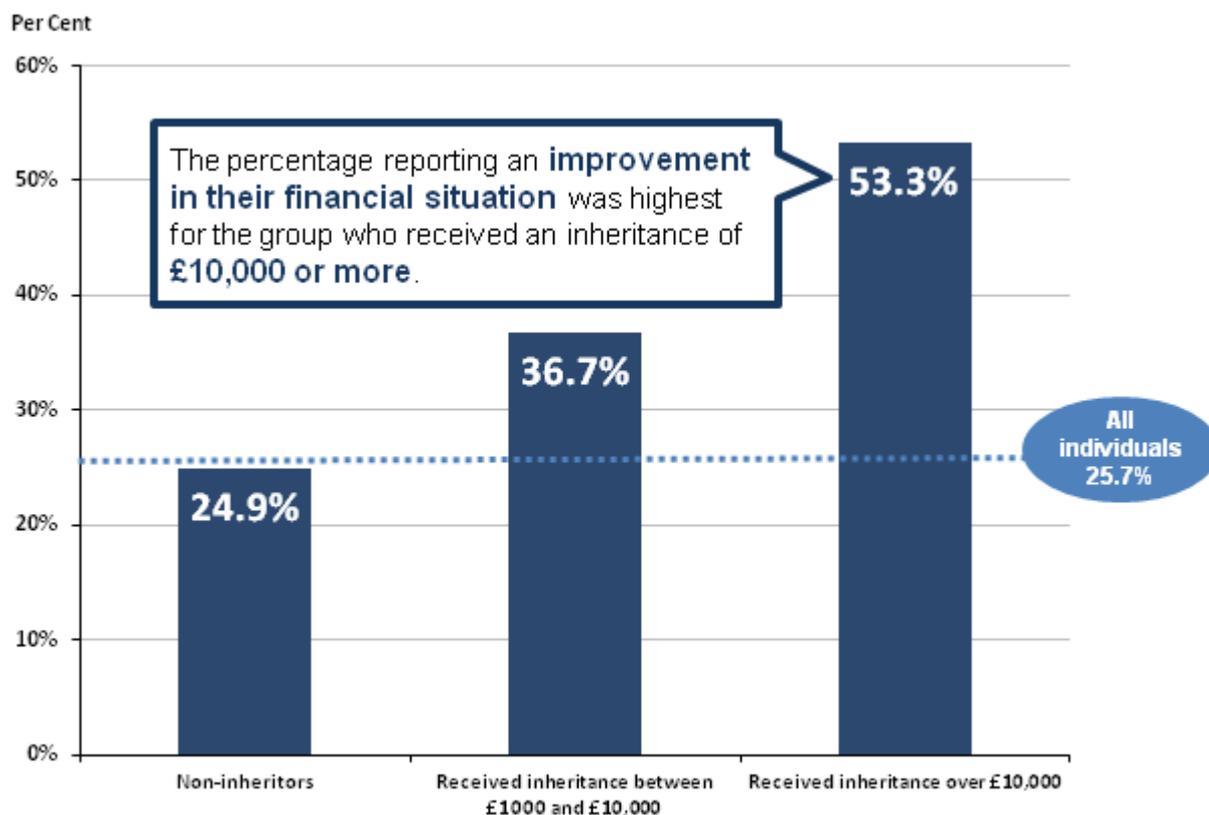
For those who received non-property inheritance such as money or personal items, nearly two in three decided to save all, or at least some part of it (61.0%). Two in five spent all or at least some part of it (40.3%), one in seven used at least some part to pay off debts (15.6%) and nearly one in ten inheritors of non-property assets chose to give all, or some of their inheritance away to others (9.4%).

The impact of inheritance on self-reported financial situation

Analysis will now look at the possible impact of an inheritance on the reported financial situation of individuals. Overall, a quarter – or 25.7% of individuals reported that their financial situation was better than two years before (Figure 3). Isolating just those individuals who did not receive an inheritance, 24.9% reported their financial situation to be better. Among the individuals who received an inheritance valued at between £1,000 and £10,000, 36.7% reported that their financial situation was better than 2 years prior. For those individuals who received an inheritance valued at greater than £10,000, 53.3% had reported their financial situation as being better than two years before.

These results demonstrate that a higher percentage of inheritors, compared with non-inheritors, reported an improvement in their financial situation – with the highest percentage amongst those receiving an inheritance of £10,000 or more. However, it is important to note that alongside an inheritance, a large number of other factors could have led to a reported improvement in an individual's financial situation.

Figure 3: Individuals reporting financial situation as better than two years before, by inheritance status: Great Britain, 2008/10



Source: Wealth and Assets Survey - Office for National Statistics

Notes:

1. Only inheritances valued at £1,000 or greater and received within the two years preceding being surveyed were included

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The impact of inheritance on net financial wealth

The following analysis illustrates changes in net financial wealth between waves one and two of the survey, presented separately for those who did, and did not receive an inheritance during the intervening period. Analysis has split individuals into quintiles based upon net financial wealth at wave one of the survey.

Higher increases in median net financial wealth were seen for inheritors rather than non-inheritors across each of the wealth groups (Table 1). Considering just individuals in the highest net financial wealth group at wave one, those who received an inheritance had a rise in their median net financial wealth of £5,850 more than those who did not receive an inheritance.

These results help to demonstrate the role of inheritance in increasing an individual's net financial wealth holdings compared with non-inheritors. However, it must be noted that inheritance alone is unlikely to be the sole driver behind changes in this type of wealth. Other factors including increased savings and the paying off of financial liabilities over the period will also have an effect. Furthermore, comparing changes in net financial wealth here offers just one way to study the possible impact of an inheritance. For instance, analysis looking at the impact of inheritance on other wealth components, namely property wealth and physical wealth, will be important, but were not studied further within current analysis.

Table 1: Median change in individual net financial wealth, by financial wealth quintile and whether inheritance received: Great Britain, 2006/08 and 2008/10

	Quintile 1 (Lowest)	Quintile 2	Quintile 3	Quintile 4	Quintile 5 (Highest)
Inheritance	1,000	3,500	2,400	3,300	6,000
No Inheritance	0	0	200	300	150

£

Table source: Office for National Statistics

Table notes:

1. Financial wealth quintile based upon wave 1 (2006/08)

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Who are those most likely to receive an inheritance

As a longitudinal study, the WAS has collected information from respondents at one previous wave prior to 2008/10. This allows us to look at, and identify possible characteristics that have led to either an increased or decreased chance of inheriting.

Characteristics associated with an **increased** likelihood of inheriting included:

- **Living in the wealthiest fifth of households** - Individuals living in households which already had the highest levels of wealth showed an increased chance of inheriting over individuals living within middle wealth households.
- **Working in a managerial occupation** - Compared with those working in an intermediate occupation, working in a managerial occupation was found to increase the probability of receiving an inheritance.
- **Self-employed** - Compared with employees, those reporting their employment status as self-employed had an increased chance of inheriting. As this self-employment is recorded prior to having inherited, this is not direct evidence of inheritance being used as a jumping board to self-employment.

- **Owns main residence outright** – Compared with mortgage owners, individuals owning their main residence outright had an increased chance of inheriting.
- **Father² was self-employed** – Rates of inheritance were higher for individuals whose father was self-employed compared with those whose father was an employee.
- **Father had further educational qualifications** – Individuals whose Father had attained further qualifications beyond schooling (e.g. a university degree) were more likely to receive an inheritance compared with those whose Father had not attained any qualifications beyond secondary school.

Characteristics associated with a **decreased** likelihood of inheriting included:

- **Being male** - Rates of inheritance for males were lower than they were for females; a finding which may reflect differences in life expectancies between genders.
- **Not of white British ethnicity** - Rates of inheritance for those not of white British ethnicity were lower than for those who were white British.
- **Aged 65 years or older** – Compared with those aged 45-54 years, individuals belonging to the older age groups were less likely to inherit. This is possibly a result of the reduced opportunity to inherit from others, as older generations might well have already passed on.
- **Working in a routine occupation** – Those working in a routine occupation were less likely to receive an inheritance compared with those in an intermediate occupation.
- **Parents rented main residence** – Individuals whose parents were renting their main residence were less likely to receive an inheritance compared with those whose parents were mortgage owners.

Notes

1. Ross, A. Lloyd, J. and Weinhardt, M. (2008) The Age of Inheritance
2. Parental characteristics are based on when the respondent was approximately 14 years of age

Related Statistics

To date, the Wealth and Assets Survey has released a number of other major reports and short stories for the first two waves.

[Wealth in Great Britain: Main results from the Wealth and Assets Survey Wave 1: 2006/08](#)

[Wealth in Great Britain: Main results from the Wealth and Assets Survey Wave 2: 2008/10, Part 1](#)

[Wealth in Great Britain: Main results from the Wealth and Assets Survey Wave 2: 2008/10, Part 2](#)

[Wealth in Great Britain: Main results from the Wealth and Assets Survey Wave 2: 2008/10, Part 3](#)

[Wealth of the Wealthiest Households, Great Britain, 2008/10](#)

[Wealth of the Average Household, Great Britain, 2008/10](#)

[The Burden of Property Debt in Great Britain, 2006/08 & 2008/10](#)

[The Burden of Household Debt in Great Britain, 2006/08 & 2008/10](#)

Background notes

1. Information on wealth and inheritance is as reported in current prices; it has not been adjusted for inflation, nor have results been equivalised to reflect differences in household size and composition.
2. The Wealth and Assets Survey (WAS) is a longitudinal survey conducted by the ONS which aims to address gaps identified in data about the economic well-being of households. It gathers information on, among others, level of assets, savings and debt; saving for retirement; how wealth is distributed among households or individuals; and factors that affect financial planning. The survey is currently in its fourth wave of interviewing and to date has released a number of major reports and short stories **[please see the related statistics and publications tab]**.
3. Some analysis presented considers inheritance by total household wealth. To aide interpretation, the current story has sorted households into ascending order based upon their total household wealth and then divided them into five groups of equal size (quintiles).
4. Within the current story only median values are presented. The median is the value of the middle item when data are arranged in ascending order. If the number of items is even the median is the average of the middle pair of values. Where the distribution of inheritance is unequal, the median gives a better measure for the whole population. The mean, which provides the arithmetic average, is likely to be influenced by high values so it does not reflect the experience of most individuals. The mean values are available within the background tables.
5. A logistic regression model was generated to predict the probability of having received an inheritance in the previous 2 years. Factors were considered as those prior to receiving inheritance, i.e. based on responses to the wave one survey. The regression output is available from ONS on request.
6. Statistical significance testing was performed only as part of the logistical regression analysis under the “Who are those most likely to receive an inheritance” section.
7. Details of the policy governing the release of new data are available by visiting www.statisticsauthority.gov.uk/assessment/code-of-practice/index.html or from the Media Relations Office email: media.relations@ons.gsi.gov.uk

The United Kingdom Statistics Authority has designated these statistics as National Statistics, in accordance with the Statistics and Registration Service Act 2007 and signifying compliance with the Code of Practice for Official Statistics.

Designation can be broadly interpreted to mean that the statistics:

- meet identified user needs;
- are well explained and readily accessible;

- are produced according to sound methods; and
- are managed impartially and objectively in the public interest.

Once statistics have been designated as National Statistics it is a statutory requirement that the Code of Practice shall continue to be observed.

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