

Adviser Q&A Star Letter

What do changes in the dynamics of the modern British family mean for protection?

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The traditional image of the British nuclear family with 2.4 children seems to be a thing of the past. Over the decades societal changes have led to a constant re-shaping of the notion of family as we've seen a rise in the number of lone parent families, stepfamilies, cohabiting couples and same sex couples.

So how does this relate to the protection industry? We need to fully understand these social trends and their impact on family dynamics, both now and in the future, so that we are better placed to develop products and services that fully serve any new protection needs of our customers. Here, we'll look at two recent trends that have impacted on the modern family, the reasons for them, and what challenges and opportunities they present us within the protection market.

Full nesters

Traditionally parents would be 'empty nesters' when their children left home to start work or go into further education. The 2008 financial crisis fundamentally altered this dynamic. A combination of high youth unemployment rates, stagnant wages, which have not kept up with inflation, and reduced mortgage availability has led to young people delaying flying the family nest, or even returning to it (the so-called 'boomerang' generation). Pre-economic downturn, one in five young adults stayed at home, while today it's closer to one in four. This equates to 3.3 million 20- to 34-year-olds, according to the Office for National Statistics.

Being a 'full nester' does not come cheap. Research by The Centre for the Modern Family estimates that young adults are costing their parents an extra £3.2bn a year. Some parents are even raiding their savings or putting their retirement plans on hold to cover these costs. This presents a challenge to the industry, as a precarious financial position makes it even more important to be protected against the



unforeseen. But with almost one in two full nesters cutting back on leisure spending to support their children, intermediaries have a fight on their hands to convince these clients of the importance of protection, given more immediate financial challenges.

There may be opportunities for intermediaries to have protection conversations with full nesters in other ways. Parents' willingness to support their offspring may extend to supporting their children's first steps onto the property ladder. So they may look to free up capital through their mortgage, which should give an opportunity to discuss appropriate mortgage protection.

An ageing population

Life expectancy in Britain has long been on an upward trend. Today a man or woman aged 65 can expect to live for another 18 to 20 years, according to the ONS. Combining this with a fall in birth rate has left Britain with an ageing demographic. The health complications associated with living longer means the need for some form of long-term care is more likely. However, the Centre for Policy on Ageing expects the provision of informal care by an elderly person's children and their children's spouses to decline in the future. This will lead people to turn to the

state, which may provide some support, but often not enough to cover the full costs, and the amount of support may differ depending on where a person lives in the UK.

As an industry we need to look at how we step into this gap in provision, a provider's recent launch of a hybrid life and care protection, with others expected to follow, is a good start. From an adviser perspective clients may look for ways to free up capital to pay for elderly parents' care costs through extending their mortgage, which will allow a protection conversation opportunity. Or clients may come for advice on how to mitigate the possible impact of future care costs on the inheritance, which could lead to a conversation around whole of life cover.

In conclusion, the protection industry needs to understand the social trends that are leading to changes in family dynamics both now and the future. As only through this better understanding will we be able to proactively meet the needs of modern customers.

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