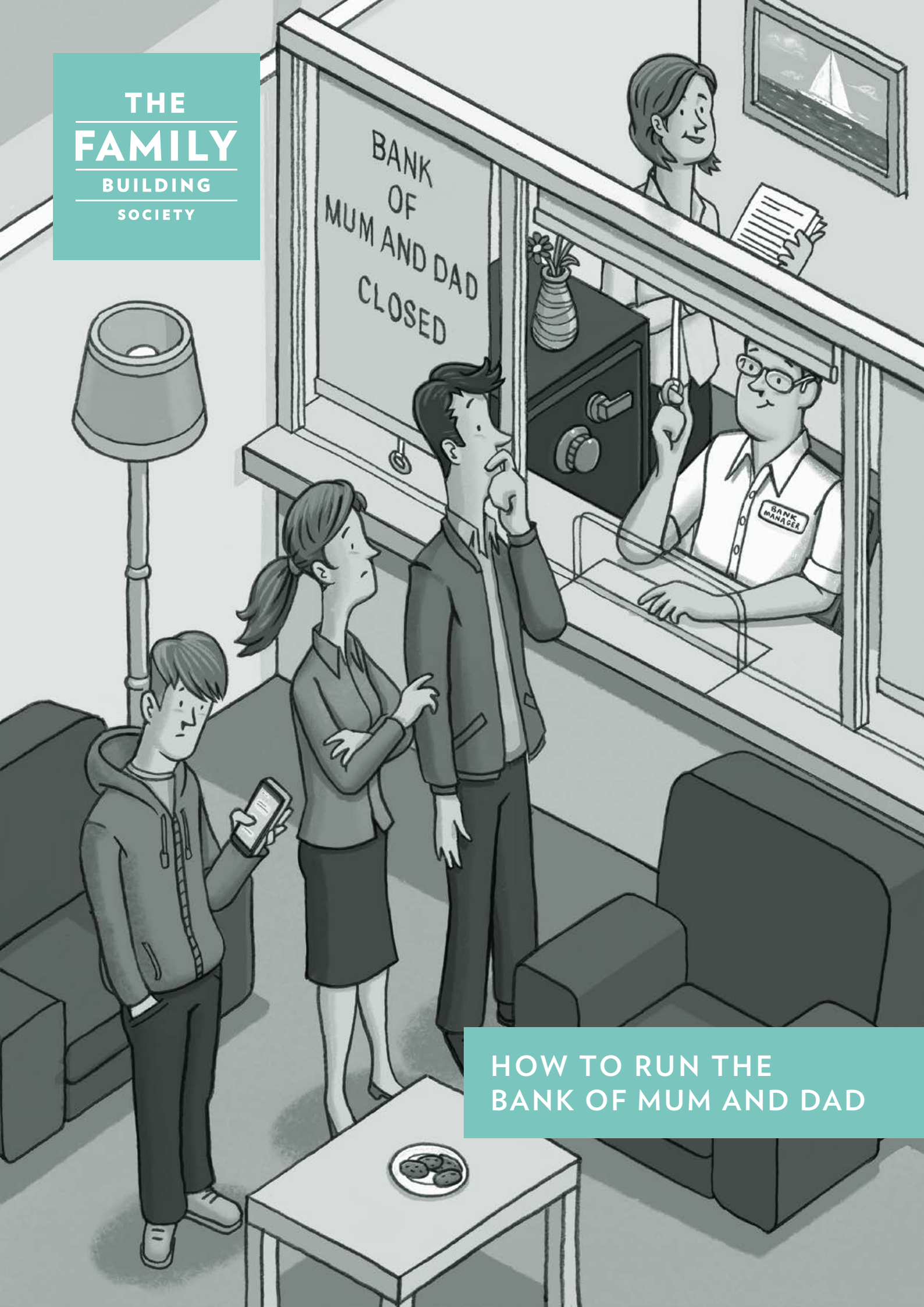


THE  
**FAMILY**  
BUILDING  
SOCIETY



HOW TO RUN THE  
BANK OF MUM AND DAD

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# HOW TO RUN THE BANK OF MUM AND DAD.... **THE DEFINITIVE GUIDE**

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# FOREWORD FROM THE CHIEF EXECUTIVE



**Mark Bogard** Chief Executive of the Family Building Society

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Over the years I've worked in the staff canteen at London zoo, given out leaflets outside Chancery Lane Tube Station, spent hours on the phone in the name of market research, been a lawyer, taught people to ski in Scotland, helped get my school up and running again after it burnt down, and done a variety of roles in a number of banks and other financial services companies.

In all those jobs, you turned up and kinda learnt as you went along.

Then a head-hunter introduced me to Polly.

She was Chair of a what is now the Family Building Society and she thought it would be a good idea if I came and ran it. Now despite working in banks, I had never actually done what banks do at their heart – I'd never lent anyone any money. This involves getting the money to lend out (deposits) and managing the situation until the borrower eventually, hopefully, gives you the money back (the bank's balance sheet). The bank's relationship with its borrowers, and with its depositors, is always covered by pages and pages of legal agreements, which have evolved over many years, and are also all highly regulated. Along the way, the borrowers sometimes have issues, which may be no fault of their own, and usually the depositors want their money back at some point.

Now you are not allowed to run a building society unless the Prudential Regulatory Authority, which is part of the Bank of England, approves you. To get approved, if they think you may be an appropriate person, you are

"invited" for an interview. Last time I did this much prep was for my finals at University. The interview involves lots of them and one of you. After a while, they rang up Polly and told her that I passed. I'm approved but I will have to go on some courses to help me learn how to do the job e.g. on "Treasury Management", and be mentored for a time by someone who knew how it all worked.

After about a year in the job, I had lunch with one of my old bosses. He had been the finance director at one of the banks I'd worked for.

*"It's much more complicated than I thought it would be....!"*. Nick, smiled knowingly.

My point is that running a bank or a building society is tricky, complicated, regulated; the borrowers and the depositors have different interests. And no one likes bankers.

But now The Bank of Mum and Dad has become the sixth biggest bank in Britain.

No-one has ever really looked into how it works and how the management and the customers feel. Until now that is.

This is how to Run the Bank of Mum and Dad.

We hope you find this guide useful.

*Mark Bogard*

**MARK BOGARD**

**Chief Executive**

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# INTRODUCTION

IT WAS WIDELY REPORTED IN 2018 THAT THE FINANCIAL ASSISTANCE GIVEN TO CHILDREN BY PARENTS TO GET THEIR LITTLE ONES ON THE HOUSING LADDER TOTALLED MORE THAN £6.5BN.

In itself, this made the Bank of Mum and Dad, or BoMaD as it has become known, the equivalent of a top ten mortgage lender.

BoMaD has grown very quickly as a lender as the financial landscape of high house prices, a chronic housing shortage and a tightening of lending criteria has put a chokehold on the strained finances of the potential first-time buyer.

A wide-ranging report from major insurer and lender Legal & General in 2017 identified that 50,000 property transactions would, in 2018, be enabled by parents digging into their pensions for a deposit, another 23,000 supported by parents' annuity income and another 44,000 by equity release from parental homes.

As they work at the beginning of their careers, paying off heavy student loans,

perhaps, as well as onerous rent, the dream of a deposit on a first home can seem to get further and further away.

Soaring house prices in recent decades coupled with pensions freedoms mean many parents of the Baby Boom generation are in a financial position to be able to help their kids when it comes to that all-important deposit.

The Office for National Statistics said in 2017 that a full-time worker could expect to pay around 7.8 times their workplace-based earnings on purchasing a home in England and Wales.

According to our own research, which you can see from the table opposite, the average family contribution to a first-time house purchase in the UK is a tad under £60,000. So, a generous target indeed and a not insignificant sum of money.

## AVERAGE FAMILY CONTRIBUTION BY REGION

LONDON	£76,290
NORTHERN IRELAND	£65,200
SOUTH EAST	£56,355
SOUTH WEST	£48,547
NORTH EAST	£44,375
NORTH WEST	£42,014
EAST OF ENGLAND	£38,923
WEST MIDLANDS	£35,552
EAST MIDLANDS	£35,235
YORKSHIRE AND THE HUMBER	£34,059
WALES	£31,154
SCOTLAND	£22,647
<b>OVERALL</b>	<b>£59,248</b>

Source: The Bank of Mum and Dad: how it really works (January 2019). Report commissioned by Family Building Society in 2018, in conjunction with the London School of Economics.

*The Bank of Mum and Dad is the equivalent of a top ten mortgage lender.*

The desire to help is a great thing, of course, but being a parent with a few quid to invest for your children's future does not make you a mortgage lender. Because mortgage lenders, like us, have generations of experience in the business and we build in safeguards and backstops to avert crises if and when they occur. And they do.

The law may be an ass, as Mr Bumble would have it, but it is there to protect us and so to know the rules of how the Bank of Mum and Dad should work is vital, not only for your own financial protection, but also for peace of mind. So, it makes a lot of sense to ask the right questions, regardless of how uncomfortable they may be, in order to smooth the path for your kids and protect your money for your own future.

And it is also to be borne in mind that professional legal and financial help is always a good idea. Any solicitor or a Financial Adviser worth their salt have heard all the horror stories before and can quickly point out pitfalls and problems in the areas you need to consider.

We have been asking our customers for their experiences and collected them here so that we can now present you with the definitive guide on 'How to Run the Bank of Mum and Dad'.

# FAIRNESS

THE FIRST BIG QUESTION WHICH TENDS TO COME UP IS THE ONE OF FAIRNESS. MANY BABY BOOMERS (GENERALLY SPEAKING THOSE BORN BETWEEN 1946 AND 1964) ARE NOW EITHER RETIRED OR CONTEMPLATING IT, AND TELL US THEY FEEL THEY HAVE BEEN LUCKY.

And who could argue they have not – having watched their home multiply in value many times over, not withstanding the global financial crisis in 2008 and interest rates at 15% in 1992.

Coupled with the last of the final salary pension schemes and pension freedoms mean this generation is often in a position to help support their adult children.

It's a sad fact of life that many people cannot afford their own homes, but lack of affordability is a different thing to a lack of accessibility and this is the gap which BoMaD has been filling.

And being fair to your offspring is not the same as treating them all in the same way.

Children are expensive, we all know this, and you will have thought carefully about the financial help you are to offer.

But have you really thought it through? In the spirit of fairness you also have to consider your own future. Raiding your pension pot of capital at the beginning of your retirement can have devastating consequences on the drawdown you can take later on.

It stands to reason that if you are taking £60,000 out of your pension pot when you are 60, you may very well need it back when you are 80. Or what if you or your spouse acquire a long-term illness?

You should certainly think about where you think you are going to be in 10, 15 or 20 years from now. Are you going to downsize? It is wise to consult your Financial Adviser for a financial health check before you do anything with your pension.

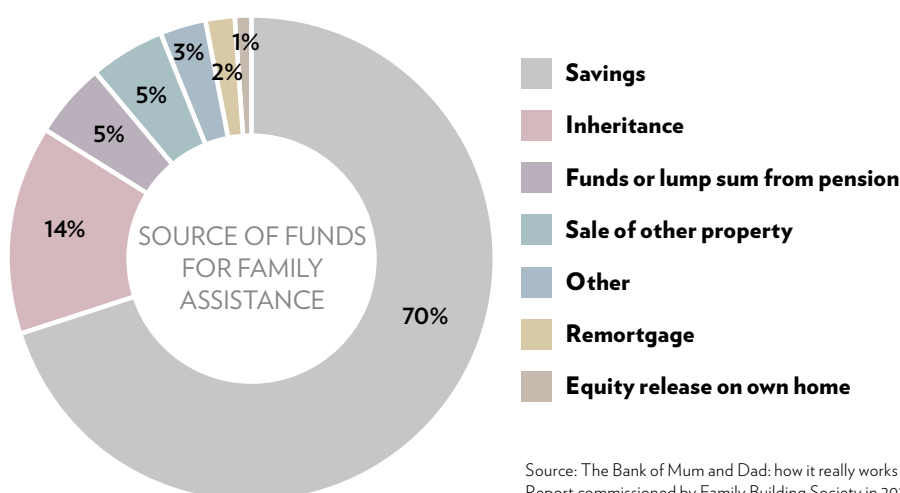
The same level of thought should be considered when thinking about using savings. It's all very well saying that's what savings are for and thinking you can put the money to good use – but what happens if you need it back?

Equity release, while a perfectly reasonable solution for some people, can also be a very bad idea for others as the remaining equity in your home can get eaten away.

So, should you help or not? Well, yes, if you can but you have to think about your own financial well-being.

Be careful the Bank of Mum and Dad does not become the Bottomless Well of Mum and Dad.

*Raiding your pension pot of capital at the beginning of your retirement can have devastating consequences.*



Source: The Bank of Mum and Dad: how it really works (January 2019). Report commissioned by Family Building Society in 2018, in conjunction with the London School of Economics.



# MISUNDERSTANDINGS AND MISGIVINGS

WE ALL KNOW THE BEST WAY TO AVOID MISUNDERSTANDINGS IS CLEAR COMMUNICATION. WE UNDERSTAND HOW IMPORTANT IT REALLY IS TO DISCUSS WITH YOUR CHILDREN EXACTLY THE TERMS OF YOUR FINANCIAL SUPPORT.

OUR CUSTOMERS TALK TO US, THAT'S FOR SURE, AND ONE OF THE BIGGEST ISSUES WE UNDERSTAND FROM THEM IS A FAILURE, FROM EITHER PARTY TO GRASP EXACTLY WHAT IS EXPECTED OF THEM.

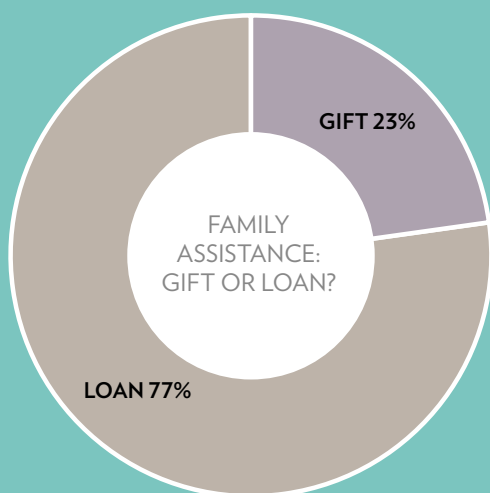
## GIFT OR LOAN?

*"I thought it was a gift and was appropriately grateful for the help, then a couple of years later Dad asked for it back ... with interest."*



# MISUNDERSTANDINGS AND MISGIVINGS

*Two-thirds of our customers said they expected repayment on the loan as and when their child could afford it, rather than agreeing a fixed repayment schedule.*



Source: The Bank of Mum and Dad: how it really works (January 2019). Report commissioned by Family Building Society in 2018, in conjunction with the London School of Economics.

What is the difference between a gift and a loan? It's very straight forward. If it is a gift you are not expecting to get the money back.

It is wonderfully generous of you but there are certain formalities which should be taken into account and a solicitor should help you to prepare a formal "Deed of Gift" which sets out the position. This would save any awkward conversations later on.

There are potentially damaging implications for Inheritance Tax here so it is important to ensure you seek professional advice.

If it is a loan you have a choice to expect it to be repaid or you can write it off formally.

Many parents make allowances when loans are not repaid in their lifetime by deducting this amount in their offspring's inheritance.

Classic misgivings we hear all the time are along the lines of: "I regularly put money in a savings account for them ready for university. By the time they went it turned out the little blighters had spent it already."

Again, this comes down to communication and a clear schedule – written down and understood – so that everyone understands the part they are expected to play in this business relationship.

If you want to make a loan then a schedule of repayment is vital. Ensure that what you are asking your child to repay is reasonable and not be a burden on top of the mortgage and other outgoings.

Do you want these repayments to be made monthly, yearly or as and when they can afford it? Also ask yourself if after a certain period of time you would be prepared to write this loan off if their circumstances change or you feel that they have shown enough commitment to the loan by making regular payments to you.

Some parents term this help as a loan purely as a demonstration of commitment to making payments and write it off after a couple of years. But if you do write it off, make it clear to them this is what you are doing. This is another reason for documenting the history of the arrangement.

## FAMILIES THAT PROVIDED LOANS AND THEIR ARRANGEMENTS



**82%**  
were not charging  
interest on the loan

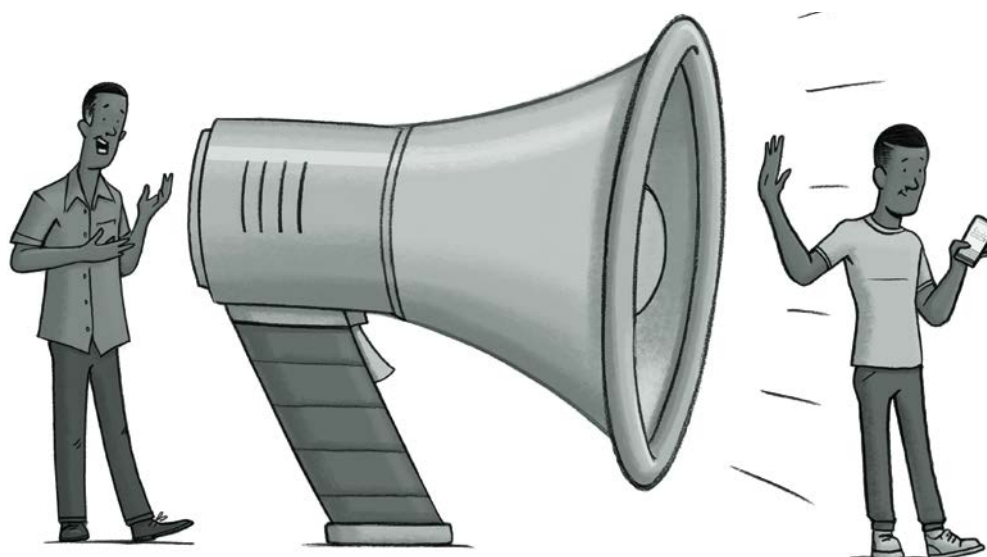


**TWO-THIRDS**  
expected repayment as and when their  
child could afford it, rather than agreeing  
a fixed repayment schedule

Source: The Bank of Mum and Dad: how it really works (January 2019). Report commissioned by Family Building Society in 2018, in conjunction with the London School of Economics.

# TAKING YOUR ADVICE

IT IS DISTINCTLY UNBRITISH TO WANT TO DISCUSS MONEY WITH YOUR KIDS. WELL, WE'RE SORRY, BUT REGARDLESS OF HOW BADLY AGAINST YOUR GRAIN THIS MAY GO, IT MUST BE DONE.



No-one wants to fall out over something so vulgar and grubby as money but the stark reality is that you absolutely must talk it through .

We have already conducted extensive research into this – we called it The Generational Divide [familybuildingsociety.co.uk/generational-divide](https://familybuildingsociety.co.uk/generational-divide) – and from this we know that what tends to happen is that your children will listen indulgently to what you have to say and then Google it. They will glean from their peers, from the experiences they can see online and then go off and try and sort it out themselves.

And this of course can be a very tricky path indeed. Do you want to intervene? After all, you have a deal on the table gleaned from your many years of experience as a homeowner and a saver. Experience that you know will save a lot of heartache (and money).

Unless you are a self-confessed control freak – which your kids will already know by now – you can become overburdened with thoughts that you are unnecessarily interfering in your children's lives, even though you are doing so with the highest of intentions. Equally, you know that they have to make their own mistakes, otherwise they will never gain the experience they need.

You don't want to see your children stressed, broke and unhappy but you equally do not want to see them indebted to you and resentful.

## CUSTOMERS WHO TOOK ADVICE BEFORE PROVIDING FINANCIAL HELP

	TOOK FINANCIAL ADVICE	TOOK LEGAL ADVICE
HELP WITH DEPOSIT	8%	14%
HELP WITH MORTGAGE PAYMENTS	14%	12%

Source: The Bank of Mum and Dad: how it really works (January 2019). Report commissioned by Family Building Society in 2018, in conjunction with the London School of Economics.

*You absolutely must talk it through.*



# HAVING MORE THAN ONE CHILD

THE COMPARISON WEBSITE MONEYSUPERMARKET ESTIMATES THE COST OF RAISING A CHILD FROM BIRTH TO AGE 18 RANGES FROM SLIGHTLY UNDER £80,000 FOR A BOY AND £108,000 FOR A GIRL.

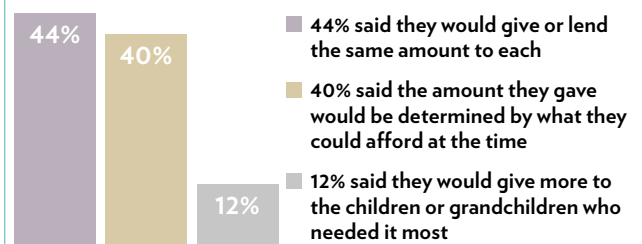
It's a guestimate, naturally, but also puts a yard stick in the ground and recognises that being fair is about catering for individual circumstances.

One sibling may not need or indeed want the help. Sometimes as a parent you have to think on a broad horizon. One child may need financial help now, another maybe later for different reasons.

Let's think of a few – a wedding, or indeed a divorce, paying for higher education say – and not necessarily for a property purchase.

This is why some parents reflect on what their children need when they draw up their Wills so that ultimately on their passing all help that has been previously given is reflected in the final allocation of their estate.

## DETERMINING THE AMOUNT TO GIVE EACH CHILD (THOSE CUSTOMERS WITH MORE THAN ONE CHILD OR GRANDCHILD WHO MIGHT IN FUTURE NEED HELP)



Source: The Bank of Mum and Dad: how it really works (January 2019). Report commissioned by Family Building Society in 2018, in conjunction with the London School of Economics.

*One child may need financial help now,  
another maybe later for different reasons.*

# RELATIONSHIP BREAKDOWNS – THE BEARDY BIKER CONUNDRUM

IT'S A FACT OF LIFE THAT PERSONAL CIRCUMSTANCES CHANGE ALL THE TIME. IT IS A FAIR BET, HOWEVER, THAT THIS PARTICULAR MORAL CONUNDRUM IS THE ONE MOST ASKED ABOUT OR FRETTED OVER. SO, YOU AS A PARENT ARE HAPPY TO HELP YOUR SON AND HIS PARTNER BUT WHAT IF THE RELATIONSHIP BREAKS DOWN?



We call this the **Beardy Biker Conundrum**.

Your daughter arrives home one day and says she wants to set up home with her beau du jour. Enter Eric the unwashed thrash metal fiend with a penchant for Harley Davidsons and a beard that hasn't seen a razor since the first hot flush of puberty. Or soap. Tricky.

On one hand she seems genuinely happy and you've always said that you would help her to get a first foot on the property ladder. But you can't help but wonder if this relationship is going to last and if that helping hand you are about to donate will be recycled in a couple of years into a new set of wheels when Eric, and most of your deposit, disappears in a cloud of exhaust smoke.

If you have any doubt, and actually even when you don't, then you should always document any transaction. And if your doubts are more than nagging then have a formal agreement drawn up such as a Declaration of Trust between your daughter and Eric.

Declarations of Trust can be made up in many ways, but essentially they all do the same thing and that is to clarify between the couple the help that has been received from either family and what this translates to into absolute or percentage terms of the ownership of the property, for example. It is yet another reason for getting professional legal advice.

*If you have any doubt, and actually even when you don't, then you should always document any transaction.*

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## BLENDING FAMILIES

PERHAPS THERE IS A GOOD NEWS SCENARIO HERE AND YOUR CHILD'S PARTNER'S PARENTS WANT TO OFFER FINANCIAL HELP FOR THE YOUNG COUPLE AS WELL AS YOU.

That's great since it probably means the youngsters are 'going steady' – to use an old-fashioned phrase – and you and another set of parents can take the stress away from them by helping them out to cobble together a deposit for their first house.

It can be complicated enough when only one family is involved. When it is two, it is therefore doubly complicated. For a start, it is unlikely that two sets of parents' financial circumstances will be same.

While equality of help is admirable, fairness in help is equally important. If one set of parents' contribution is financially lower but it is what they can reasonably afford, then that may be considered fair.

But what happens when one set of parents unexpectedly say they need their help repaid? That all depends on the original agreement that was drawn up. If there is no agreement then that is a very awkward conversation indeed and could well end badly. You will need to work this through amicably and understand the reasons why the money is needed.

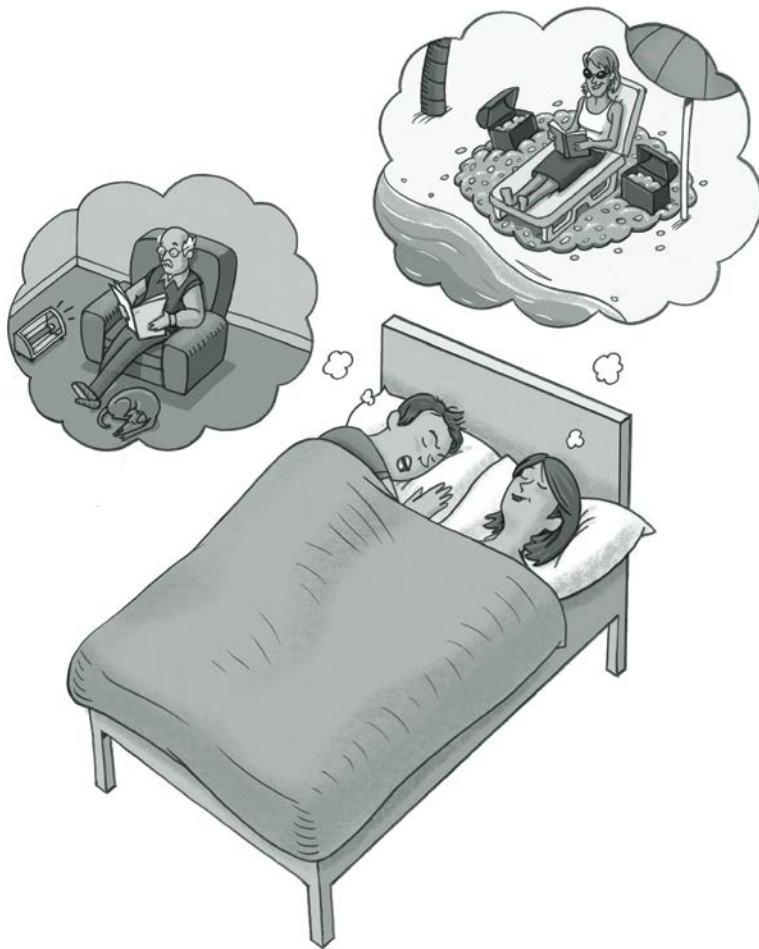
It may be a sudden and unexpected change in the parents' financial circumstances; it may be a medical reason, or whatever, but ultimately the reason why they need the money back is irrelevant.

That is why it is so important that these arrangements are documented and that all parties fully understand the implications of an unexpected request to have the loan repaid.

*It is unlikely that two sets of parents' financial circumstances will be the same.*

# UNCERTAINTY – WHAT DOES THE FUTURE HOLD?

WE'VE SAID THIS BEFORE BUT IT REALLY IS IMPORTANT THAT YOU CONSIDER VERY DEEPLY YOUR OWN PERSONAL CIRCUMSTANCES AND HOW MUCH YOU CAN SAFELY LEND OR GIFT TO YOUR CHILDREN TO ASSIST THEM.



It should go without saying that, if you are considering helping out your adult children, you are more of an Autumn Chicken than the one you were a couple of seasons ago. It is therefore crucial to look out for your own needs and future desires and then consider the amount of help you can offer.

For those parents who are in the enviable financial position to be able to help, it is a balancing act between seeing your children settled in their own home while keeping one eye on your own horizon, particularly if you are not one of the lucky few who will benefit from a final salary pension.

First and foremost, if you haven't already done so, speak to your Financial Adviser and ask for a health check of your current retirement plans.

How much do you think you will want to live on in, say, 15 or 20 years' time? When it comes to downsizing to release some of the equity you may have built up over the years, think carefully on what your next step will be and where you think you would be able to move to.

Your Financial Adviser or a Certified Financial Planner can help you with creating a schedule for you if you want to plan it out carefully. You will have to pay a fee but you could also ask yourself, "What is the cost of not doing so?" if you have to unwind your assistance to pay for an unexpected event.

See *Other Things to Think About* on page 14.

*How much do you think you will want to live on in, say, 15 or 20 years' time?*

# DEATH AND TAXES

YOU ARE BORN, YOU PAY TAXES AND YOU DIE. IT'S NOT A VERY CHEERFUL THING TO SAY BUT THERE IT IS. NO-ONE LIKES TO THINK OF UNPLEASANT SCENARIOS BUT THERE ARE TIMES WHEN ONE REALLY HAS TO DO SO.

What if one or both parents dies? God forbid, what if your son or daughter dies?

If you are definite that the money you have provided is indeed a loan and that you want a payment schedule in place, then you absolutely must have this agreed beforehand and, crucially, in writing. Who knows what may happen in the future.

Over the course of time the memory of what was agreed may fade somewhat. You may find yourself with an expected need to have that money for unforeseen reasons and having the arrangement documented makes the conversation with your offspring a little less awkward.

It also makes it easier to answer questions you may get asked by HMRC regarding gifts or loans you may have previously made. This is important if you intend to gift money as this has implications for future Inheritance Tax liabilities. There are strict limits to the amount of money you give as a gift to your successors – those who will be the beneficiaries of your estate.

A significant sum, such as £60,000 would incur significant tax liabilities if you die within the next seven years so there is yet another reason why all financial transactions are documented and that you speak to a financial professional beforehand if you are considering a gift.



*A significant sum, such as £60,000 would incur significant tax liabilities if you die within the next seven years.*



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## CHILD'S PERSPECTIVE

THEY MIGHT BE ADULTS BUT THEY ARE STILL YOUR CHILDREN. HAVE YOU CONSIDERED WHAT THEY NEED TO KNOW?

Financial knowledge doesn't always come for free and the nearest branch of BoMaD probably doesn't have any helpful leaflets on the counter.

It could pay to make sure – even at the risk of an eye-roll or hard stare – that the youngsters you are about help understand how to cover off their own risks. Life's events like redundancy, illness or an unexpected pregnancy can have the habit of throwing one's finances into chaos.

You've got this far – how did you do it? Were you just lucky or did you survive life's peaks and troughs with careful planning and financial prudence? You can tell them all you know but will they listen?

*Financial knowledge doesn't always come for free.*

## THE PAPERWORK

THE MORE YOU HAVE WRITTEN DOWN AND KEPT FOR EASY REFERENCE, THE LESS LIABILITY YOU HAVE FOR SOMETHING GOING HORRIBLY WRONG. IT REALLY IS THAT SIMPLE.

However, If you have any doubts about the kinds of things you will need to keep track of when running your personal branch of BoMaD we recommend that the below are the key questions you need to ask yourself.

We call it **our finance record template**.

Being organised is vitally important in any case but should the worst of the worst occur, your family will be in good shape to keep everything running smoothly – which will not overburden them at a time when they really don't need any additional stress.

So, ask yourself:

- Is your Will up to date and does your family know where it is?
- Who are your executors?
- If you, or your spouse, or both, have been divorced – have the children of previous marriages been considered in your arrangements?
- Do you need a solicitor or legal expertise?
- Are you the only person who can access your bank account?
- Where are the deeds to your house?
- Where are your insurance policies?
- What about care arrangements should you be incapacitated?

More details can be found on our website:  
[familybuildingsociety.co.uk/prepared](http://familybuildingsociety.co.uk/prepared)

## SKIERS

SKI STANDS FOR 'SPENDING THE KIDS INHERITANCE' SO IF YOU ARE READING THIS FROM A CRUISE SHIP IN THE CARIBBEAN YOU CAN PROBABLY PUT IT DOWN NOW.

As unpalatable as it may be for some children to swallow, there is no god given right for parental help. You can argue the moral and parental responsibility case all day long, but if parents want to enjoy a most of their retirement being looked after by a kindly Cunard steward, or causing a five mile tailback as they tow their latest caravan from one countryside beauty spot to another, then so be it.

It is a simple fact of life that some parents may not feel inclined to simply hand over their hard won savings or be willing to take out another mortgage (something they may have gratefully left behind some years ago) to help with a property purchase. Your children will be the best judge of whether help is a possibility, or even if it is worth asking.

**SO BEFORE YOU EMBARK ON THIS JOURNEY OF BECOMING A BoMaD LENDER YOU WILL NEED TO HAVE CONSIDERED THE FOLLOWING:**

- ☐ Gift or loan?
- ☐ Repayment schedule?
- ☐ Legal status?
- ☐ Mortgage guarantee or deposit provider?
- ☐ Pension status?
- ☐ Your financial circumstances?
- ☐ Tax liabilities?
- ☐ Professional advice?

**RUNNING THE BANK OF MUM AND DAD DOESN'T PAY MUCH, IN FACT IT ALMOST CERTAINLY RUNS AT A LOSS – MORE OF A MONEY PUMP THAN A BANK.**

Of course it's the thing all parents do to the extent that they can, to whatever level they can afford. After all, it's what being a parent is about.

You want to help. They want your help.

But the important thing to remember is that just because they are your kids, it doesn't make the decision to help any different from any other business relationship.

There are ways to arrange things that make financial help clear, unambiguous and fair. There are financial products out there designed to do this for you too. Not least among them our **Family Mortgage**.

Yet like all things which appear simple, once you scratch the surface there are layers of complexity to address before you reach the right answer.

So like any business deal it pays to research, to seek and take appropriate professional advice.

You didn't buy your own home, or even your car without reading the small print, so don't skimp on the detail when you are helping out the little ones.

*Because it's not all  
about their futures,  
but yours too.*

## OTHER THINGS TO THINK ABOUT

### 1. POWER OF ATTORNEY

Since, as a BoMaD manager, you are engaged in a lasting financial relationship with one or more of your family members, it is wise to consider making arrangements to pass your decision-making onto another party if you become incapable of doing so through illness, injury or ill-health.

This Lasting Power of Attorney is relatively easy to set up and serves to take away stress from your loved ones as well as avoid potentially unpleasant family conflicts in future.

You can find more details here:

[familybuildingsociety.co.uk/power-of-attorney](http://familybuildingsociety.co.uk/power-of-attorney)

### 2. EQUITY RELEASE AND LATER-LIFE FUNDING

Equity release schemes have over the years endured a mixed reputation.

There is no doubt that withdrawing some of the equity in your home does have benefits and can be a good solution for many people who want to liquidate some of their largest asset.

In theory, as a parent you could even release equity from your home to provide a deposit for another for your children.

Equally, there is no doubt that equity release is not a suitable option for all.

There are many pros and cons of equity release schemes, and there are many different types of plan in the market.

Very broadly, these are:

#### PROS:

- In some cases you can take money out of your home whenever you need it.
- You can stay in your own home for as long as you want to.
- It won't cost you anything until you move into long-term care or die. This is when the property would be need to be sold and the capital and accrued interest paid back to the lender.
- You can use the money any way you want.

#### CONS:

- You will not fully benefit from future house price rises because you have effectively sold a proportion of your home.
- Your family will likely get a smaller inheritance as a chunk of the equity in your home will go to the lender when you die or move into long-term care.
- Interest charges can seriously build up. The longer you are in an equity release plan, the more the interest payments will accrue. In extreme cases (and this has been the reason why equity release plans have been pummelled in the past) the size of the repayment can exceed the value of the property, although some plans offer a 'no negative equity' guarantee.

As in all affairs involving your home, and your biggest asset, it is vitally important to take expert advice from a Financial Adviser or solicitor before committing to equity release.

### 3. INSURANCE

Of course, during the process of helping to acquire a home for your children you will also be considering the normal insurances that go with a house purchase, such as buildings insurance.

But this may also be a time to think about your own personal insurances to protect you, your family and your assets in future.

These are many and varied and you will not need all of them but you should consider:

- Income protection
- Over-50s Life Cover
- Whole of Life
- Critical illness
- Private Medical Insurance

You can find out more about them here:

[familybuildingsociety.co.uk/personal-insurance](http://familybuildingsociety.co.uk/personal-insurance)

### 4. JOINT MORTGAGE SOLE OWNER (JMSO)

This is an arrangement both we and many other lenders provide and should also be a facet of your thinking when it comes to being a responsible BoMaD manager.

Essentially a JMSO means a family member can support the mortgage payments of a relative even if he or she will not themselves be living in the property.

The two categories you should consider are when a son or daughter wishes to use Mum and/or Dad's wherewithal to support their income to secure the loan they need, until such time as (usually around five years) their income grows to the point where they can support their own mortgage repayments.

The other scenario, though not strictly a Bank of Mum and Dad issue, is at the other end of the scale where an elderly parent might need the support of their children to acquire a mortgage.

You can find out more details about JMSO here:

[familybuildingsociety.co.uk/jmso](http://familybuildingsociety.co.uk/jmso)

# OTHER HELP

FAMILY BUILDING SOCIETY			
The Bank of Mum and Dad: how it really works		familybuildingsociety.co.uk/bomad	
Generational Divide		familybuildingsociety.co.uk/generational-divide	
Family Mortgage		familybuildingsociety.co.uk/Family-Mortgage	
ADVICE AND CHARITIES		LAW	
Citizens Advice	citizensadvice.org.uk	The Law Society of Scotland	lawscot.org.uk
The Money Advice Service	moneyadviceservice.org.uk	Northern Ireland Law Society	lawsoc-ni.org
National Debtline	nationaldebtline.org	Solicitors Regulation Authority	sra.org.uk
BROKERS AND INDEPENDENT FINANCIAL ADVISERS		PENSIONS	
British Insurance Brokers' Association	biba.org.uk	National Employment Savings Trust	nestpensions.org.uk
Unbiased.co.uk	unbiased.co.uk	The Pensions Advisory Service	pensionsadvisoryservice.org.uk
Vouchedfor.co.uk	vouchedfor.co.uk	PROPERTY	
CREDIT AGENCIES		Association of Residential Letting Agents	arla.co.uk
Call Credit	callcredit.co.uk	Deposit Protection Scheme	depositprotection.com
Equifax	equifax.co.uk	Help to Buy	helptobuy.org.uk
Experian	experian.co.uk	The Letting Protection Service Northern Ireland	lettingprotectionni.com
Noddle	noddle.co.uk	The Letting Protection Service Scotland	lettingprotectionsotland.com
Clearscore	clearscore.com	National Association of Estate Agents	naea.co.uk
EDUCATION		National Approved Letting Scheme (NALS)	nalscheme.co.uk
The Good Schools Guide	goodschoolsguide.co.uk	New-homes	new-homes.co.uk
National Union of Students	nus.org.uk	Ombudsman Services	ombudsman-services.org
Student Loans Company	slc.co.uk	Onthemarket	onthemarket.com
FINANCE		The Property Ombudsman	tpos.co.uk
Financial Ombudsman Service	financial-ombudsman.org.uk	Property Redress Scheme	theprs.co.uk
Moneyfacts	moneyfacts.co.uk	reallymoving.com	reallymoving.com
GOVERNMENT AND PUBLIC BODIES		Rightmove	rightmove.co.uk
Department for Communities and Local Government	gov.uk	Royal Institution of Chartered Surveyors	rics.org
Financial Conduct Authority	fca.org.uk	Self Build Portal	selfbuildportal.org.uk
gov.uk	gov.uk	Shelter	shelter.org.uk
gov.Wales	gov.wales	UK Association of Letting Agents	ukala.org.uk
HM Revenue & Customs	hmrc.gov.uk	OTHER RESOURCES	
Housing Ombudsman Service	housing-ombudsman.org.uk	British Association of Removers	bar.co.uk
Jobcentre Plus	gov.uk/contact-jobcentre-plus	Energy Saving Trust	energysavingtrust.org.uk
Ofcom	ofcom.org.uk	Moneysupermarket.com	moneysupermarket.com
National Health Service	nhs.uk	Comparethemarket.com	comparethemarket.com
Parliament	parliament.uk	Self Storage Association	ssauk.com
Right to Buy	righttobuy.gov.uk		

# CASE STUDIES

## MORTGAGES

### THE FAMILY BUILDING SOCIETY

*"The Family Mortgage has significantly reduced our monthly payments."*



#### SARAH (25) AND ADAM (28)

#### TEACHERS

YOUR MORTGAGE WILL BE  
SECURED ON YOUR HOME

YOUR HOME MAY BE  
REPOSSESSED IF YOU DO  
NOT KEEP UP REPAYMENTS  
ON YOUR MORTGAGE

**Family Building Society**  
Ebbisham House, 30 Church Street,  
Epsom, Surrey, KT17 4NL

**FAMILYBUILDINGSOCIETY.CO.UK**

Family Building Society is a trading name of National Counties Building Society which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

Sarah and Adam were both first time buyers looking to purchase a house together. They were in a good financial position to get a mortgage by themselves with around a 10% deposit however, Sarah's parents were keen to help.

**"When I first mentioned that we were looking to buy a house and were considering mortgage options my Dad kindly set out his financial situation. He said that he had a sum of money that he would be prepared to use to support us. The main issue was finding a way to use his money that allowed it to still belong to him and didn't require a share in the ownership of the house but somehow benefited us financially."**

**"The most important things to us when looking for our mortgage was maximising the amount we could borrow but keeping our monthly repayments low."**

Having looked around at high street lenders that offered a family support option nothing quite suited. They then found the Family Building Society's Family Mortgage. Adam had never heard of the Society before, but Sarah had as her Dad has a Market Tracker account with the Society. The couple decided the Family Mortgage was the best option for them. It allowed Sarah's parents to use their savings without gifting the money and minimised the couple's repayments. It also meant Sarah and Adam were 50/50 owners and Sarah's parents had no involvement in the ownership, allowing her parents' money to remain theirs.

**"Had we not had my parents' support our monthly repayments would have been much higher than we currently pay."**

The Family Mortgage brings wider family assets, such as family savings or property, into the mortgage calculation, helping to reduce the cost for the buyer but not asking family members to hand it over as a gift. Family members are able to help buyer's access lower interest rates than the traditional 95% mortgage and in turn, lower

monthly payments. The Family Mortgage is designed to help the next generation own their home.

Sarah and Adam found the service from the Society "excellent." As they are both teachers finding time to talk to their financial advisor or anyone else was next to impossible and with Sarah's parents being an hour and a half drive away signing forms was also pretty difficult. However, none of that was ever an issue.

**"The fact that all correspondence happened over the phone, via email or by post meant that we never had to take time off work to meet in person and could complete the process at a time convenient to us. This was also useful as, living an hour and a half away from my parents, when we both had to sign forms we never needed to be in the same place at the same time."**

**"Our financial advisor was fantastic. We were able to arrange phone calls with him outside of 'normal' office hours – even as late as 6pm, which was very convenient. He was supportive and informative, and made the process clear and easy to understand."**

With Sarah and Adam happily settled in their first home, they would definitely recommend the Family Mortgage to others in their situation.

**"If you are able to put the deposit down yourself and can achieve the monthly payments required, the added bonus of being able to reduce this amount through placing savings in an offset account means that you have that little bit of extra money to save, spend on the house or make overpayments on the mortgage. This flexibility gives us a little more comfort and means that we aren't stretching our finances or making ourselves uncomfortable – we can enjoy our new house without the worry of meeting higher monthly repayments."**

M/257/1217/FBS/MKTG



# CASE STUDIES

## MORTGAGES

### THE *Davies* FAMILY BUILDING SOCIETY

*Taken  
seriously,  
finally*



**LEE DAVIES (27)**  
TEACHER

**NICOLE DAVIES (26)**  
SPEECH THERAPIST

MARRIED

#### OBJECTIVE THAT THE CUSTOMER WISHED TO ACHIEVE

Mr and Mrs Davies wanted to buy their first home, but as relatively young professionals funding a large enough deposit was an issue.

#### CIRCUMSTANCES AND BARRIERS TO OVERCOME

The couple started looking for their first property whilst Mr Davies was in training to be a teacher. Many mortgage providers didn't consider the couple eligible because of their combined joint income whilst Mr Davies was receiving a teacher in training wage.

**"Our income wasn't being taken seriously by other lenders"**

Mr Davies has banked with a high street lender since he was a boy and sought help to find a mortgage directly, however a 15% deposit was required and repayments were high. They found the bank's service very poor and extremely disappointing.

After struggling to find a mortgage on their own, they decided to contact a mortgage broker, who suggested the Family Building Society.

#### HOW WERE THE FAMILY BUILDING SOCIETY ABLE TO HELP WITH THIS OBJECTIVE?

The Family Building Society mortgage adviser recommended the unique Family Mortgage as an opportunity for the couple to get onto the property ladder.

**"We are very pleased to find the best deal on the market"**

#### WHY IS THIS BETTER THAN COMPETITORS - WHAT IS THE DIFFERENCE?

The Family Mortgage meant the Davies family could put down a low deposit and fix their mortgage at an attractive rate. Both agreed these aspects of the Family Mortgage are what most first time buyers probably look for, and why it appealed to them in particular.

Mr Davies found the structure of the mortgage product and how the Family Building Society allow parents to help, "invaluable". They used the security through property option to secure their mortgage.

#### HOW WAS THE SERVICE RECEIVED?

The couple appreciated the personal service they received from day one, and how consideration was given to them individually. As soon as Mr Davies became a teacher the Davies Family Mortgage application was submitted.

**"I was accepted as a professional right from the start"**

Mr and Mrs Davies are happy to recommend the Family Building Society, and express their gratitude for the efficient process experienced in buying their first home.

**"Family Building Society consider people individually"**

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FOR MORE INFORMATION CONTACT YOUR FINANCIAL  
ADVISER OR SOLICITOR.

ALTERNATIVELY, TELEPHONE OUR FRIENDLY AND HELPFUL  
TEAM WHO CAN HELP GUIDE YOU THROUGH YOUR OPTIONS.

**03300 244612**  
**FAMILYBUILDINGSOCIETY.CO.UK**

**THE**  
**FAMILY**  
**BUILDING**  
**SOCIETY**

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