2020 Vision: The Trust Fund Generation

The Children's Mutual™

The Children's Mutual offers financial products that parents can use to help provide financial security for their children's future. It is widely regarded as an expert in long-term savings for young people and is the only UK organisation that specialises exclusively in saving for children.

This research was completed on behalf of The Children's Mutual by The Social Issues Research Centre

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1. Executive Summary

This report focuses on the future – the year 2020 and beyond when today's babies and toddlers with Child Trust Funds will start to become 18 years old and have unfettered access to the cash that has been invested. Some will have only a little – the basic sums provided by the government plus the accrued growth. But some will have quite a lot – at least £30,000 if their mums and dads, grandparents or other kind souls have topped up the funds to the maximum allowed each year. They will be part of a unique generation in which the notion of saving has been inculcated from birth by the State and in which some at least will have the financial resources that were once the privilege of a very small elite.

What will this mean to them and how will it shape their lives? Will a new generation of 18-year-olds simply blow their funds on endless parties and the kinds of hedonistic pursuits that we traditionally associate with late adolescence in Britain? Or will this be a new generation of prudent capitalists – the money in the bank being a spur to new ways of thinking about the future and planning for the longer term? Will they use the funds to pay for higher education, avoiding the burden of debt that comes with student loans that often linger for a decade or more after leaving university? Will we witness a new generation of entrepreneurs with start-up businesses or e-commerce ventures bank-rolled by the new-found affluence that CTFs will bring in their transition from teenager towards adulthood?

These are important questions. They are also, like any that seek to predict the future, difficult questions. We cannot sensibly ask two and three year olds what they will do with their money in sixteen years time. Which of us 'grown-ups', even, could confidently answer that? We can, however, look at existing trends in what is known as 'emerging adulthood' and project these forward. How do today's late teenagers, for example, differ from their parents in their attitudes towards money, their ambitions, insecurities, dependencies, lifestyle expectations and hopes for the future? In what ways might tomorrow's teenagers differ from those of today – and what contribution might CTFs make to the distinctiveness of young adults in the second and third decades of the new Millennium.

Each generation has a need to re-invent itself – to distance itself from that of its progenitors – and to endow itself with distinctive characteristics. Each generation is also the unique product of the economic, social and cultural forces of its time. The Baby Boomers growing up as teenagers in the sixties were the beneficiaries of unprecedented economic growth and proceeded to make the most of it – through subscription to 'hippy' values of free love, rock and roll and anti-establishment sentiments. They could afford to do so – there would always be jobs, university education was free, there were student grants and the future was rosy.

The next generation was not so lucky. 'Generation X', born between the mid sixties and late seventies, arrived in a very different world – one of economic recession, disillusion and a deep resentment of the lingering cultural icons of the 1960s. They have been, perhaps very unfairly, dubbed the 'lost' and 'selfish' generation in which the pursuit of a 'loads-a-money' lifestyle characterised for those of previous generations an unwelcome and vulgar shift in what it meant to be British.

Definitions of today's youngsters are less clear cut. In one sense they are at the tail end of 'Generation Y' – those born in between the early eighties and the current decade of the noughties. But they are quite special. The current generation of 18 year olds are those whose formative images as young adolescents were of 9/11, the London bombings and tsunamis. They grew up in what is sometimes described as the 'post-politics' age in which the radicalism of the Baby Boomers was finally laid to rest and the notion of 'a job for life' became extinct. They are also, of course, the Millennium and Internet generation, with unparalleled access to information and entertainment and, despite the events of their childhood, a cautiously optimistic view of the future.

From all of this, one thing is clear. Tomorrow's Trust Fund generation will not be the same as today's youth. It will have its own defining characteristics. The current trends, however, suggest that it will be altogether more 'sensible' than that of its grandparents and rather 'nicer' than that of its parents, adapting to the pressures that are currently being experienced by the children of the noughties and the economic and social forces that will continue to shape the lives of the generation to follow.

Our approach, then, has been to focus on the contrast between the Millennium generation and the parental Generation X. And we have done this in two ways. Firstly, we have conducted detailed focus groups and interviews with, separately, parents of teenage offspring and with teenagers themselves. We have focused on how they differ in terms of attitudes towards money, spending habits, lifestyles, career aspirations, dependency on parents – both now and in the future – and on the broader social cultural forces that have shaped their lives. Two further focus groups involved young people aged from 18 to 24. One of these brought together students still at university with graduates in full-time jobs who had just left the parental home for good. The second had a similar mix of those still living at home and those who had moved away, but here the participants were those who had missed out, by choice or otherwise, on formal higher education.

Secondly, we conducted two extensive national polls[1], again with both parents and with children and young people aged between 11 and 18. These focused primarily on the spending patterns and attitudes towards money of young people as seen from the perspectives of both today's adults and the 'emerging adults' themselves. The differences are revealing. And they help us to think much more clearly about the directions in which today's new-borns and toddlers are likely to progress as they emerge into the new age of the Trust Fund generation.

We have also started to compile an index of what children and young people are worth – and what they cost their parents and carers. By monitoring this over the coming decade or so the predictions that we present in this report can be honed and refined, taking into account the evolving and social and economic climates in which young people are growing up.

1 A nationally representative poll of 1,174 parents of children aged between 11 and 18 was conducted by YouGov. A poll of over 1,000 children aged between 11 and 18 was conducted by Dubit. In addition, detailed spending diaries of over 100 children were obtained through online questionnaires

The total amount of data collected in the study is vast. The national survey data has generated hundreds of graphs while the focus group and interview transcripts run to hundreds of pages. In this report we present an overview of this material, together with our assessments of its implications for the future.

The Child Trust Fund (CTF) is a long-term savings and investment account for children. It was set up by the government to: *"ensure that children have savings at the age of 18; help children get into the habit of saving; teach children about the benefits of saving; help children to understand about personal finance."*

Children born on or after 1 September 2002 receive a £250 voucher to start their account. Children of parents on low incomes receive £500. The account belongs to the child and cannot be touched until he or she turns 18. The government is also committed to adding a further sum to the fund when they reach the age of seven.

Parents that do not invest the government's voucher within a year will have it invested for them by HM Revenue and Customs.

Parents, or anybody else, can contribute further sums to the funds up to a maximum of £1,200 per year. The final value of the (currently tax free) fund[2] will depend on the level of additional contributions and investment growth over the time span of the fund.

2 The tax treatment of CTF accounts or their underlying investments (or both) could change in the future.

2. Emerging Adulthood

'Emerging adulthood' refers to the process of transition from the status of child to that of a 'grown up' and the phase of social exploration and uncertainty that inevitably accompanies it. We have all been through it. The process today, however, is rather different from that in the past. The psychologist Jeffrey Arnett[3] argues that while young people in the past were restricted by parental expectations, and economic limitations and other factors, today's emerging adults have unprecedented freedoms – they are no longer expected to conform in the sense of seeking a life-long career in their late teens or early twenties. Nor are they expected to 'settle down' and raise a family before the age of thirty, which was the norm only a couple of decades ago. They are able to extend the lifestyle we used to associate with adolescence well into what we used to call adulthood – to 'emerge', as it were, at a later age.

During this expanded phase of emergence young people have greater opportunities for experimentation in all areas of their life – from personal relationships to education and the development of multiple skills. We live increasingly in a 'multi-tasking' age where a single craft or talent no longer provides the security it once did in previous times. Young people are critically aware of this and organise their lives accordingly, making maximum use of new technologies, not just for simple entertainment, but also to access information and expanded social contact through online communities such as MySpace and Facebook. This is a generation of diversity that has largely overcome the limitations imposed on previous emerging adults, reflected in increasing individualism and a reluctance to fit into neatly defined lifestyle pigeon holes.

Ironically, perhaps, this new-found eclecticism produces quite stable patterns that enable us to make informed assessments of future trends – at least in the relatively short term. We observe, for example, that delayed emergence has the obvious consequence of exit from the parental home at a later age, particularly for young men. Over a fifth (22%) of men aged between 25 and 29 are now still living with their parents. Those who have left home are, because of delayed marriage or the establishment of stable pair-bonds, living alone. While people are marrying later, or not marrying at all, women are giving birth at a later age. In 1971 there were 154 live births per 1,000 women aged between 20 and 24. Today there are less than half that number – 71.

The trend towards increased dependence on parents and delayed emergence into adulthood is also a consequence of the number of young people in full-time higher education after the age of 18. In 1971 there were around 600,000 students attending universities and other higher education institutes. Today there are 2.5 million, even though the UK population aged between 16 and 24 has actually declined slightly over this same period of time.

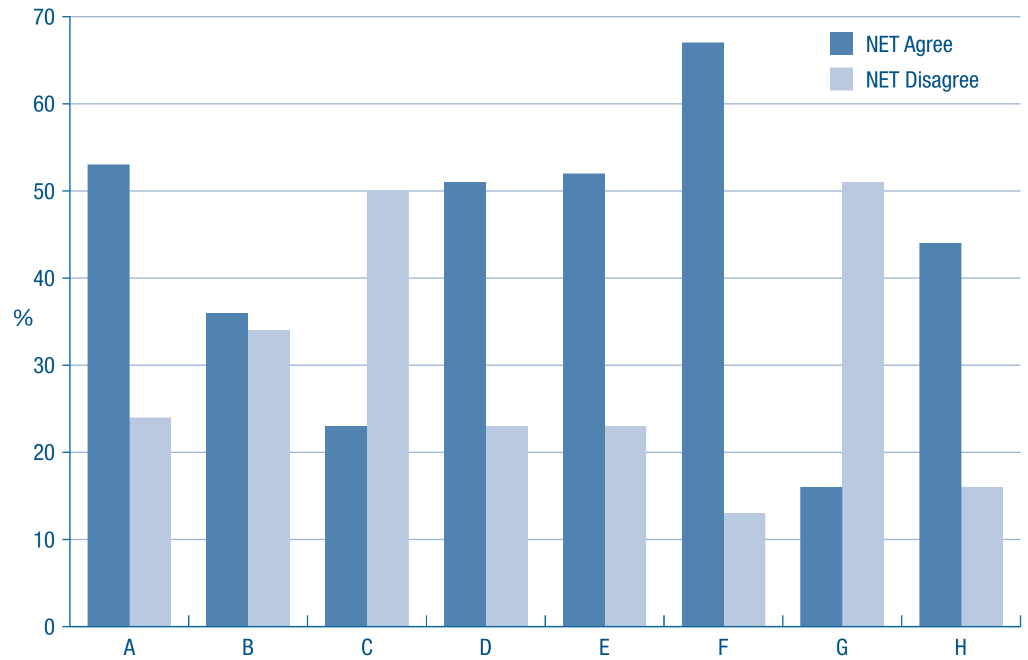
In looking to the future it is vital to understand these quite fundamental shifts in the lives of today's young people that have occurred over the past two or three decades. The social and economic forces that shape these trends are never stable. But they can act as useful pointers because they are not going to disappear overnight. The trends in education and 'always on' access to knowledge, coupled with ever-increasing opportunities for lifestyle choices, will continue and will impact on the Trust Fund generation – those who will begin to emerge as adults in fifteen or so years' time – as much, if not more so, as on today's Millennium teenagers.

3 Arnett, A (2004) *Emerging Adulthood: The Winding Road from Late Teens through the Twenties*. Oxford University Press

3. Dependency

In our focus groups and interviews, and among respondents to the national poll, recognition of the increasing dependency on parents of today's teenagers was clearly evident. Most parents, as we can see from Figure 1, thought that they would need to support their children in one way or another until they were well past the age of 18 and perhaps into their 30s.

Figure 1. Financial dependence of young people – parents (with a child/children aged 11 – 18 years).



A I think I should continue to support this child financially after he/she turns 18
B I think that this child should be financially independent when he/she reaches 18
C I think that this child will be able to support himself/ herself financially when he/she turns 18
D I don't think that this child will be able to support himself/herself when he/she turns 18
E I think I am responsible for paying for this child's university education
F This child will not be able to go to university without my support
G I think it's my responsibility to put money towards this child's first property
H This child won't be able to buy a property without my support

There was little resentment expressed by most parents about this extended period of dependency – just the sometimes slightly weary recognition that things had changed since their own childhoods. One mother, for example said that her two children would not be able to support themselves after leaving school:

"... unless I help them out, and obviously I want them to have an equal or better life than I've had, so therefore I will do that."

It was accepted that the costs of establishing a life for themselves would simply be too great for children to bear on their own and that as a result parents would need to continue to provide support. One father of two children said:

"You can't expect them to save anything like that [the amount required to buy a house] and you know they've gotta get a start in life."

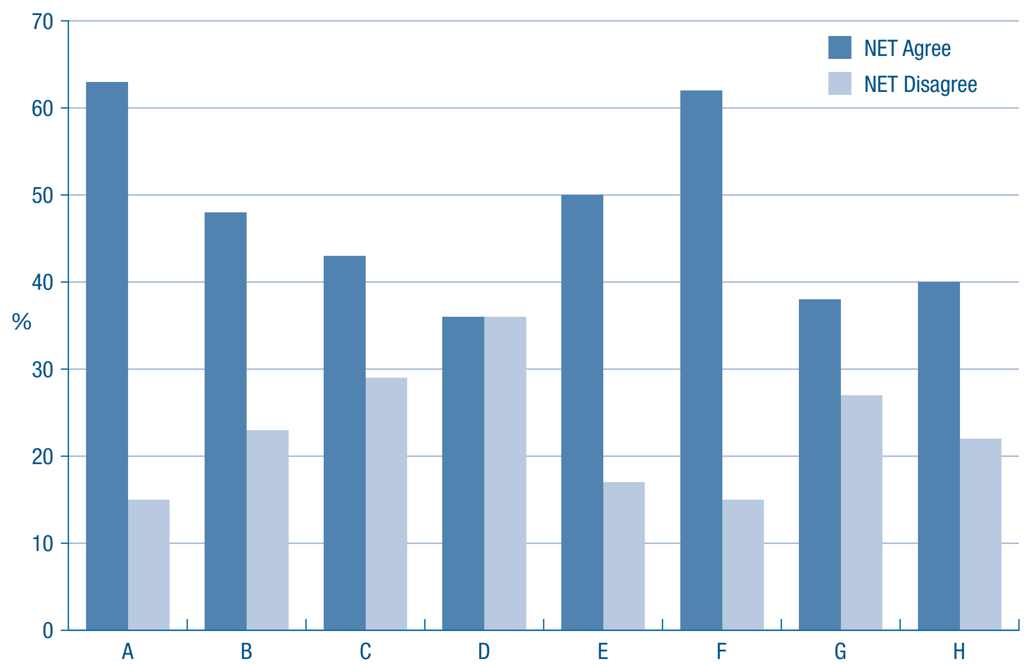
Over 50% of parents agreed that children should be given financial support after the age of 18, compared with around 25% who disagreed. There was, however, a degree of ambivalence in this context. We can see from Figure 1 that, while accepting the reality of extended dependence, parents in the national poll were almost equally divided on whether their children should or should not be financially independent at the age of 18. In one focus group a mother of two voiced some of the concerns and implicit contradictions:

"Do you think it is a good idea, you know, to be constantly helping them? 'Cause in a sense it means that they're not actually … you know, I think you have to at some time have a cut off point, you know, when do you stop helping them, I mean, OK, I think we will always be there for them emotionally, but you can't be constantly helping them out financially."

Two particular areas of dependency were identified by participants in our study. The first – education past the age of 18 – was seen as inevitable by the majority of parents and they accepted that they had a responsibility to pay for it. The second – purchasing a first home – was also seen as something to which parents would need to contribute. In this case, however, the responsibility was accepted more reluctantly – only 16% of parents thought that they should contribute financially in this context.

The children and young people polled were generally in agreement about the need for financial support from parents, as shown in Figure 2.

Figure 2. Financial dependence on parents – young people.



A I think my parents should continue to support me after I turn 18
B I think that I should be financially independent when I reach 18
C I think that I'll be able to support myself financially when I'm 18
D I don't think that I'll be able to support myself when I'm 18
E I think my parents should pay for my university education
F I will not be able to go to university without my parents' support
G I think that my parents should put money towards my first property
H I won't be able to buy a property without my parents' support

Here, however, we can see that young people felt much more strongly than adults that parents had a responsibility to help with the purchase of a first home.

Education

Among our poll respondents almost 70% agreed that their children will not be able to go to university without their financial help, even though both parents and young people have increasingly come to accept that student loans are now an everyday reality. A similar proportion of young people felt that university education should specifically be bankrolled, at least in part, by their mothers and fathers.

Despite this expectation of enduring financial dependence, teenagers were rather more optimistic than the national statistics noted earlier about when they would be in a position to leave the parental home. Around a fifth thought that this would happen between the ages of 16 and 18 while a larger group (around 43%) said that they would leave between 19 and 21. Only about 17% said between 22 and 24 and even fewer (5%) between 25 and 27.

There is, perhaps, a problem with the definition of 'leaving' here. Perhaps going to university is a kind of 'leaving home'. Typically, however their rooms stay vacant to accommodate them during vacations and the all too frequent hiatus that occurs between leaving college and actually getting a job. Bear in mind also that this is a generation that feels it has the freedom to experiment – usually at parents' expense.

This is a trend that will, we believe, endure for some time to come. We also predict that simply getting a degree may no longer mark the end of education. In a world where just about everybody has a degree of one sort or another the new currency for negotiating jobs and salaries may become higher degrees or post-graduate diplomas in specialist areas. This is already happening and all the signs are that the Trust Fund generation will face even tougher competition in this regard. Could CTFs serve not only to avoid, to some extent at least, the now ubiquitous undergraduate student loan but also facilitate access to the higher levels of the academic world? We return to this question in the final section of this report.

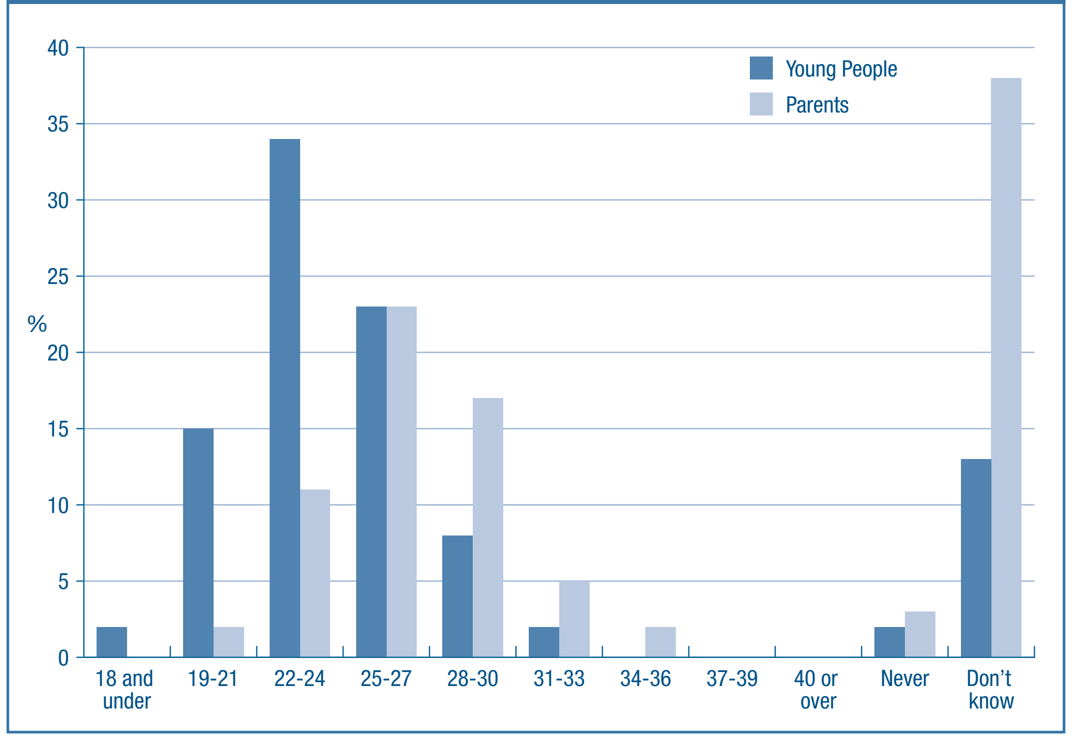
First homes

On the subject of buying a first home – the problems of doing so being the second main reason for increasing dependency – there were, as noted above, some differences in responses between teenagers and parents. While both thought that it would be very difficult for young people to get on the property ladder without parental support, teenagers thought that parents should help financially while parents, in the main, thought that they should not have this responsibility. As shown in Figure 1 above only 16% of parents agreed with the statement 'I think it is my responsibility to put money towards my child's first property.' Among teenagers 40% felt that they would never be able to buy a home without such a contribution and a similar proportion felt that it was their parents' duty to do so.

There was also a large difference between the views of parents and teenagers when it came to predicting when they would be able to buy their first home, as shown in Figure 3. While 13% of youngsters had no idea, over a third predicted that this would be when they were aged between 22 and 24. Only 11% of parents thought that this would be the case but 23% (the largest group making a prediction) felt that 25-27 was realistic. In fact, the average age of first-time home buyers in Britain is now 34.

These optimistic estimates reflect, perhaps, a lack of awareness of recent trends in the housing market on the part of both parents and their teenage children. The average price paid by first time buyers rose by 204% between 1995 and 2005 – from around £45,500 to over £141,000. The deposits required of these first-time buyers increased by over 450% in the same period. The average price of a house today is over £180,000 and the lack of 'affordable' housing continues to compound the problems.

Figure 3. Estimated age at which young people will buy a first home.



Unrealistic expectations regarding home ownership and the age at which young people might expect to achieve it, coupled with the argument about who should provide financial support in this context, will present an even greater problem in ten years time or so when, and if, these teenagers look to buy their first home. Unless there is a dramatic fall in house prices – and despite scary talk of 'crashes' and 'slumps' most experts think that this is unlikely, just lower increases or stable prices – the opportunities for first-time buyers will remain very limited. During the coming years, therefore, there is likely to be increased recognition among parents that their obligation to support their offspring as they move into adulthood will need to extend to housing as well as to education. For parents of younger children who will form the Trust Fund generation of emerging adults, the situation will not have changed significantly.

This is an area in which the Child Trust Funds, assuming adequate contributions from parents and family along the way, may play a significant role. They may, for example, contribute towards the deposit on a first home – especially if two partners have CTFs – allowing their parents, perhaps, to return to thinking, like today's parents, that this is not really their responsibility. There may also be the possibility that the average age of marriage – often delayed because of the inability to move out of parental nests – may start to reduce, as we note below.

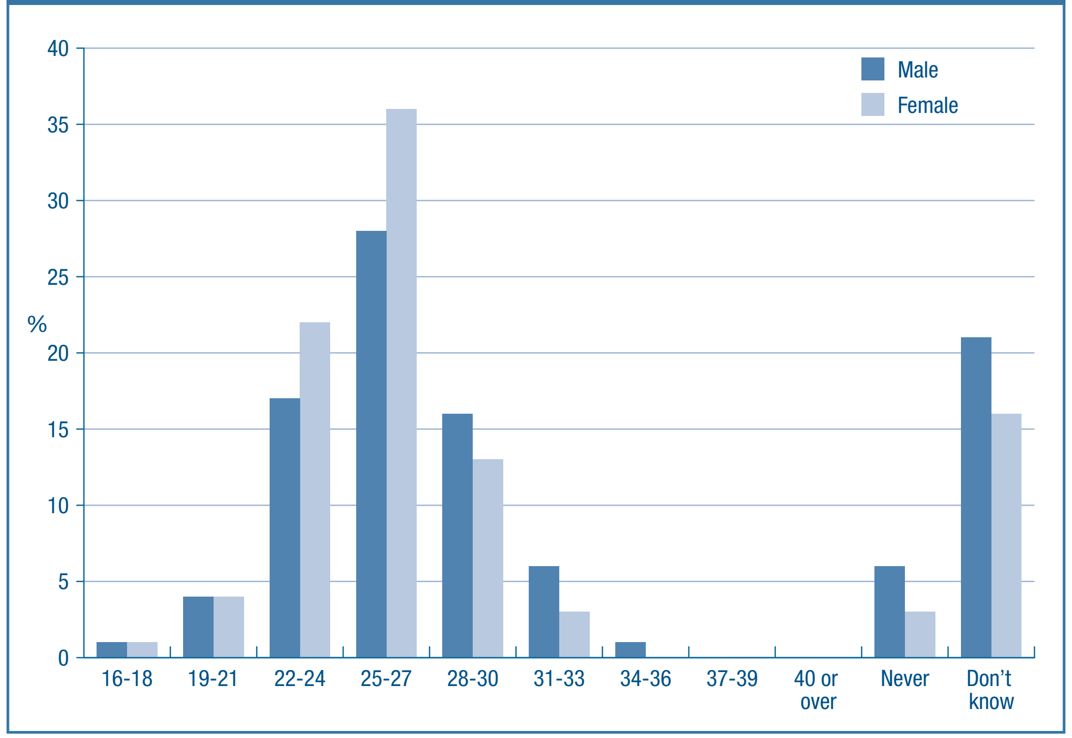
Marriage and families

There was a time when young people got married relatively young, moved away and had children – the timeless process of furthering the human race. Like many other aspects of modern lifestyles, however, this has changed dramatically. In the 1970s, just under half a million people got married for the first time every year.

Today, that figure is well below 300,000 – a fall of over 40% in the space of a single generation. Those that do marry do so at a later age. In 1971 the average age for men was 25 and for women 23. Now it is 32 for men and 29 for women – substantial increases of seven and six years respectively.

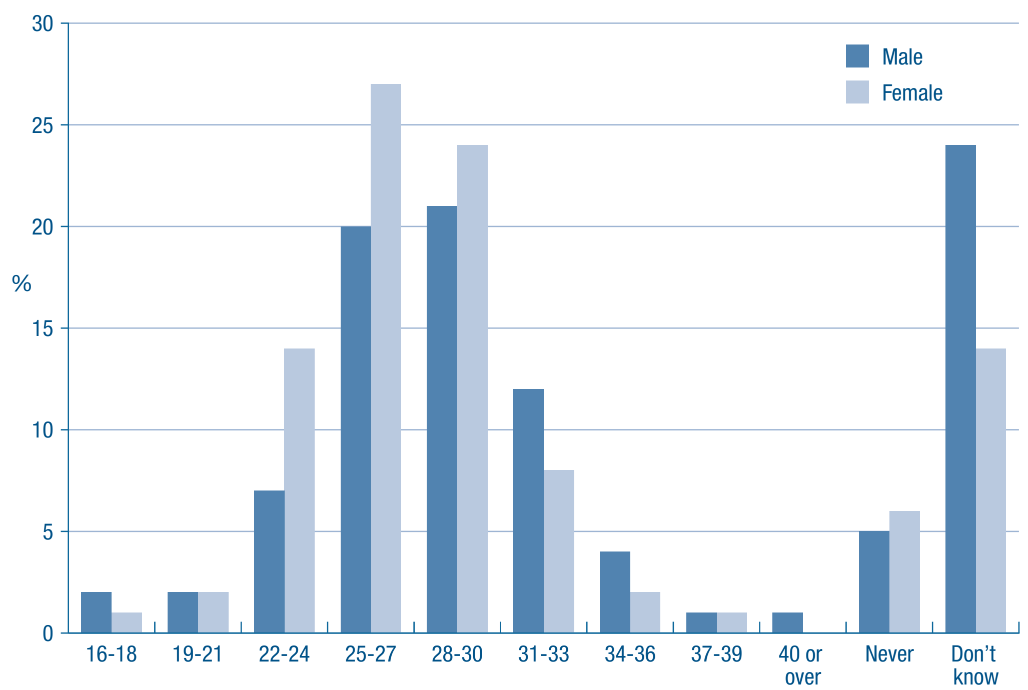
While this is the reality of delayed adulthood, the young people in our national poll seemed to be unaware of it, as we can see in Figure 4. Two thirds of girls, for example, expected to be married before the age of 28. Boys were a little more conservative, but only about 7% of them thought that they would be into their thirties before they got married – well below the current national averages.

Figure 4. Predicted age of marriage – young people.



There was also an element of over-optimism about having children. Most girls thought that that would happen in their lives between the ages of 25 and 30, as we can see in Figure 5. This is quite closely in line with current peaks in the fertility rates. Only about 4%, however, thought that they would wait until their late thirties and forties before having children. In fact, 50,000 women delay their first birth until this age every year – 7% of the total number of births.

Figure 5. Predicted age of having children – young people.



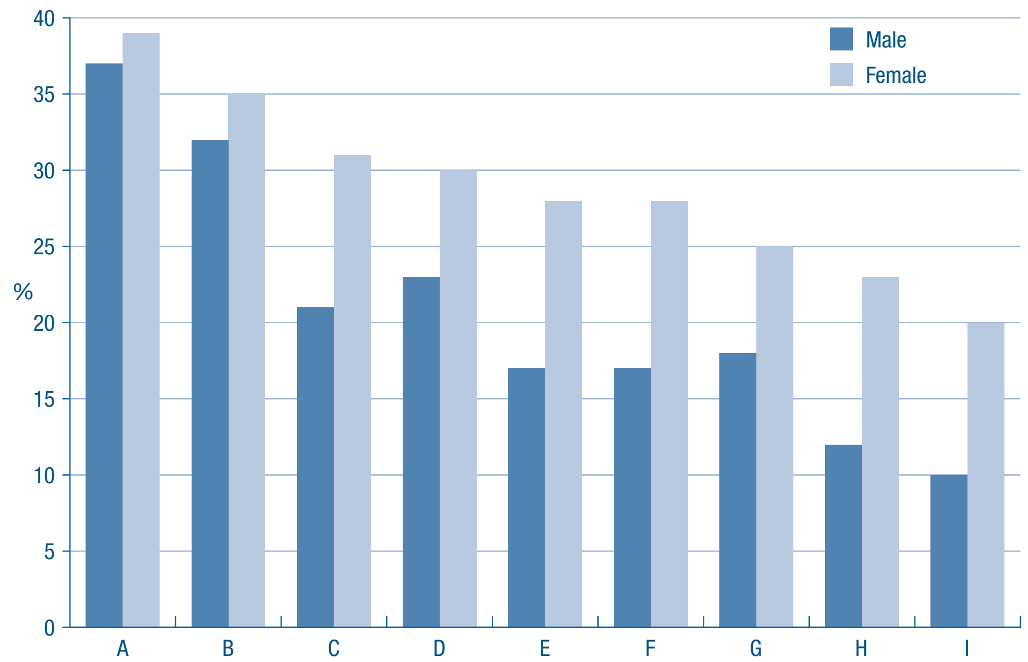
We see here the potential for a further crisis of expectations, compounding that of being unable to buy a first home at the age that one had anticipated when younger. The trend toward not marrying at all or marrying at a later age appears to be quite linear and stable at the moment. As we noted above, however, this trend may be driven in part by the inability of many young people to buy their own first home – getting married and still living with ones own or ones spouse's parents is never a popular solution for newlyweds, nor the parents. CTFs may contribute to a decrease in this trend, if not quite a reversal of it.

In hazarding forecasts such as these, however, we have to remember that today's generation of young people are enjoying their opportunities for experimentation – in relationships as much as in careers and other central aspects of lifestyle. Tomorrow's emerging adults will inherit this pattern of behaviour. While today, getting married and having children may be delayed through circumstances largely beyond the control of young adults, in the Trust Fund generation it may still be delayed through choice rather than necessity.

4. Growing Concerns

Being unable to buy a first home or pursue higher education featured most prominently in parental anxieties about their children's futures, as illustrated in Figure 6. There were also deep concerns about their ability to get a 'good job' and more general worries about their future quality of life. Mothers tended to fret significantly more than fathers about all of these aspects of their children's futures. Worries about children's financial security in the future were also very evident – both in terms of insufficient income and their lack of savings. Nearly 20% of all parents also rated their own potential inability to support their children in early adulthood as their greatest worry.

Figure 6. Concerns about children's future – parents.

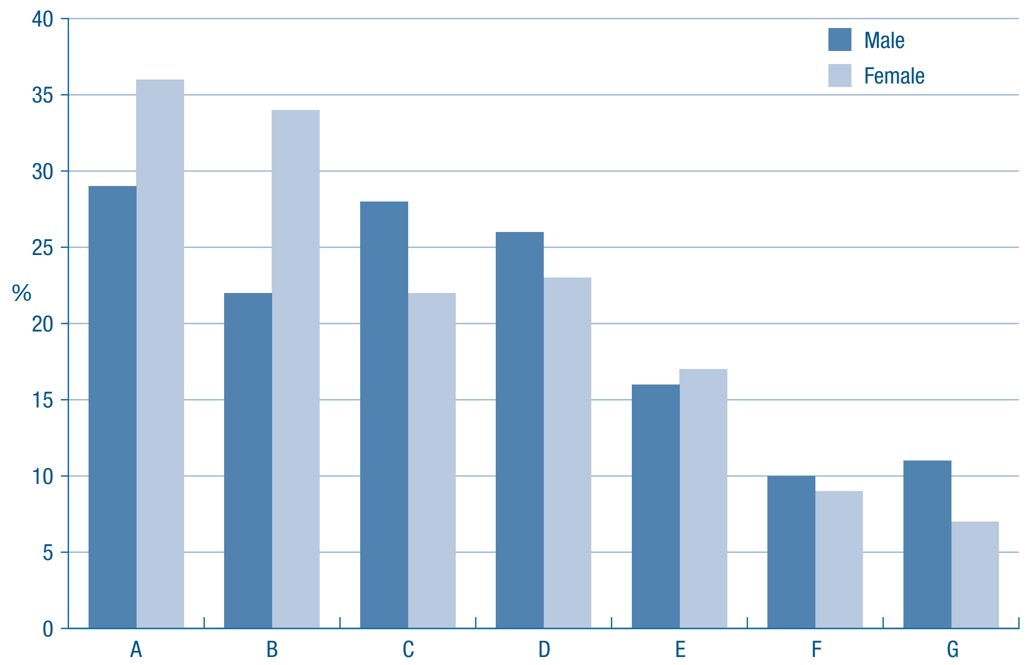


A I worry about this child being unable to buy his/her own house
B I worry about the cost of higher education
C I worry about this child getting a good job
D I worry about their quality of life as a young adult
E I worry about this child not having enough money
F I worry about the long-term financial security of this child
G I worry about this child getting into debt
H I worry about being able to support this child as he/she becomes an adult
I I worry about this child not having any savings

Responding to statements about their own saving habits, the strongest level of agreement among parents was *"I worry that I don't save enough for my child's future"*, as shown in Figure 7. Only 8% of parents were unconcerned about this issue, feeling that it would be the child's own responsibility in the future to provide for him or herself.

Despite these deep worries, over a quarter of parents do not save any money for their children's future at all. For those that do, it is mostly in the form of a savings account and around a tenth of all parents had bought stocks or bonds for this purpose. The most frequent expectation among parents was that this money would be used to fund higher education – in line with what we noted earlier – or as a 'start-up fund' for when the children leave home.

Figure 7. Thinking about your child's future, which of the following statements do you agree with?



A I worry that I don't save enough for this child's future
B The day-to-day costs of raising children are too high to consider putting any money aside
C I regularly save money for this child
D When I can I put money aside for this child
E My parents put aside money for this child
F None of these
G I'm not very worried about saving for this child's future – that is his/her responsibility

Parents, of course, have always had such worries – it is part of their role definition. Today, however, these types of worry are heightened, and probably for good reason in many cases. There was a general consensus among parents that today's teenagers face tougher futures as emerging adults than they did themselves. Things are very unlikely to change significantly for the age cohort that will follow them, those just nine to sixteen years younger, those now in their infancy and early childhood – the Trust Fund generation.

In this context Child Trust funds may have an interesting impact. As we discuss in the final section of this report they may allow parents to relax a little, knowing that there is at least some provision for their children's futures. Equally, the existence of the funds may encourage the saving habit as much among parents as among children and young people.

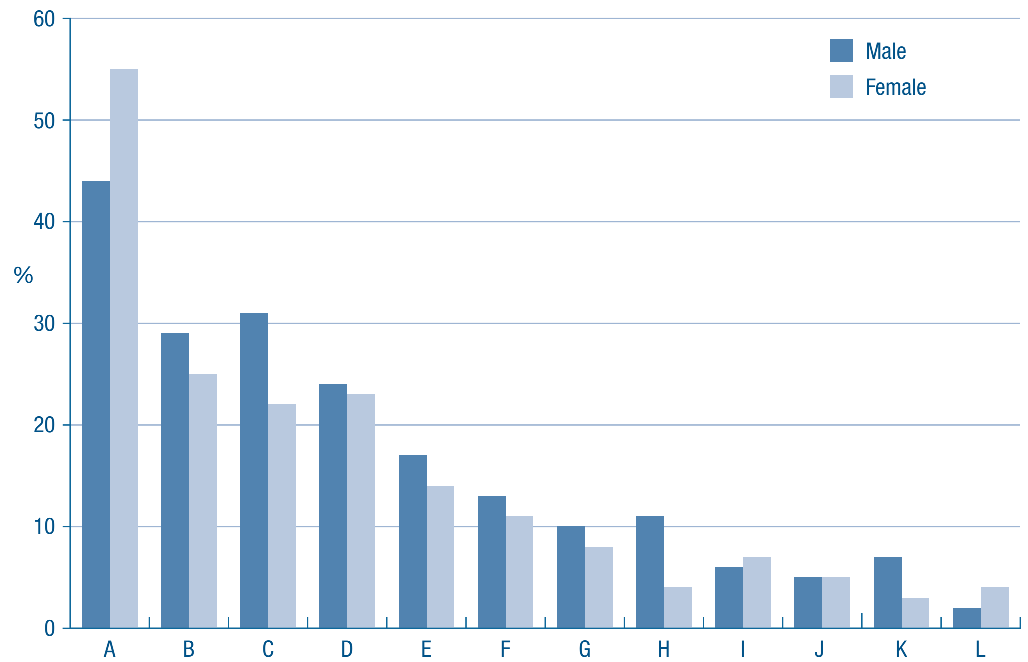
5. The Impact of Child Trust Funds

We presented our teenagers with what, at the moment, is a hypothetical question: *"What would you do if you were given £20,000 when you turned 18?"* We also asked parents what they thought their children would do in the same circumstances, and we asked them what they would have done themselves at the age of 18.

In the focus groups, some parents – those with children born before CTFs were introduced – were rather nervous about this. They did not like the idea of their 18 year old son or daughter having the freedom to decide alone how they would spend that amount of money – they were seen as being too young or too irresponsible to cope with that. When asked what they themselves would have done with the money when they were 18, the most typical answer from parents was *"Wasted it!"* One mother of three children added *"But isn't that the point, if you're 18 and you have money then you should waste it?"*

The poll of parents across Britain indicated that the most frequent use that today's adults would have had for £20,000 when they were 18 was buying a house. Continuing to save came second equal to spending it on material possessions, as shown in Figure 8. A further 12% of parents also said that they would have 'frittered' the money away to no real purpose other than just 'having fun'.

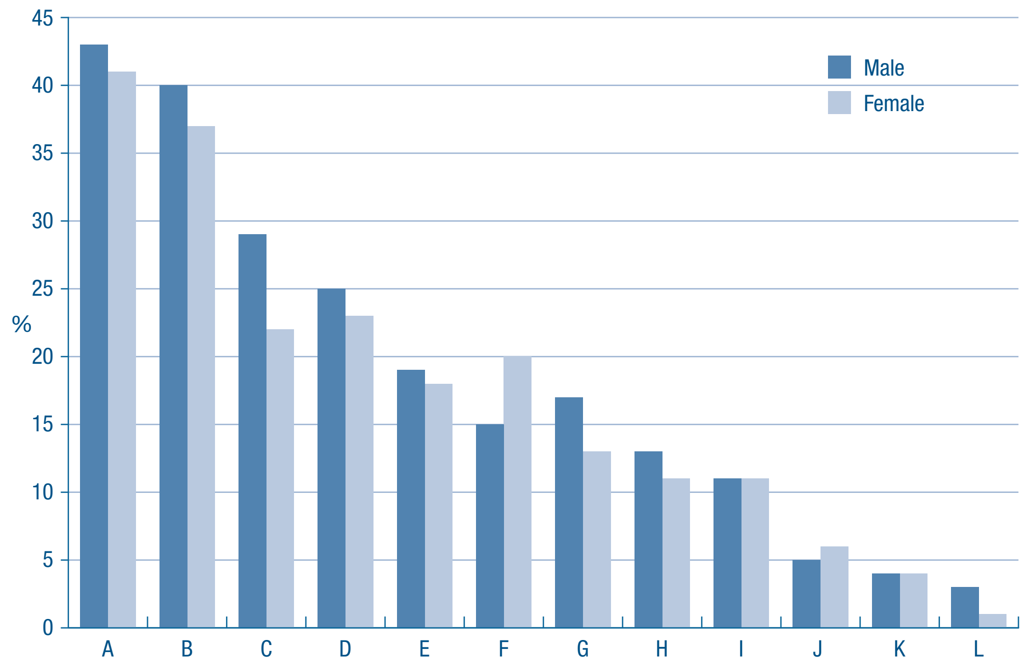
Figure 8. What I would have done with £20,000 – parents.



A Bought a house
B Continued to save
C Spent it on material goods
D Travelled
E Gone to university/higher education
F Spent the money to no specific end/had fun
G Started my own business
H Followed a passion or pursued a favourite hobby/pastime
I Don't know
J Taken a gap year
K Made a business investment
L Used it for my wedding

These figures help us to understand why some parents might worry about their offspring also ‘blowing’ it all on ‘things’ rather than on wiser choices. While many would have used the money ‘sensibly’ – to buy a house or go to university – a sizeable proportion would, in their own view, not have done so. As a result, when it came to predicting what their children would do with that amount of money, ‘blowing’ it on material possessions came top of the parents’ list, while the expectation that their children would just have fun with the money also ranked in the top five, as shown in Figure 9.

Figure 9. What my child would do with £20,000 – parents.



A Spend it on material goods
B Go to university/higher education
C Continue to save
D Travel
E Spend the money to no specific end/have fun
F Buy a house
G Follow a passion or pursue a favourite hobby/pastime
H Take a gap year
I Don’t know
J Start his/her own business
K Make a business investment
L Put it towards his/her wedding

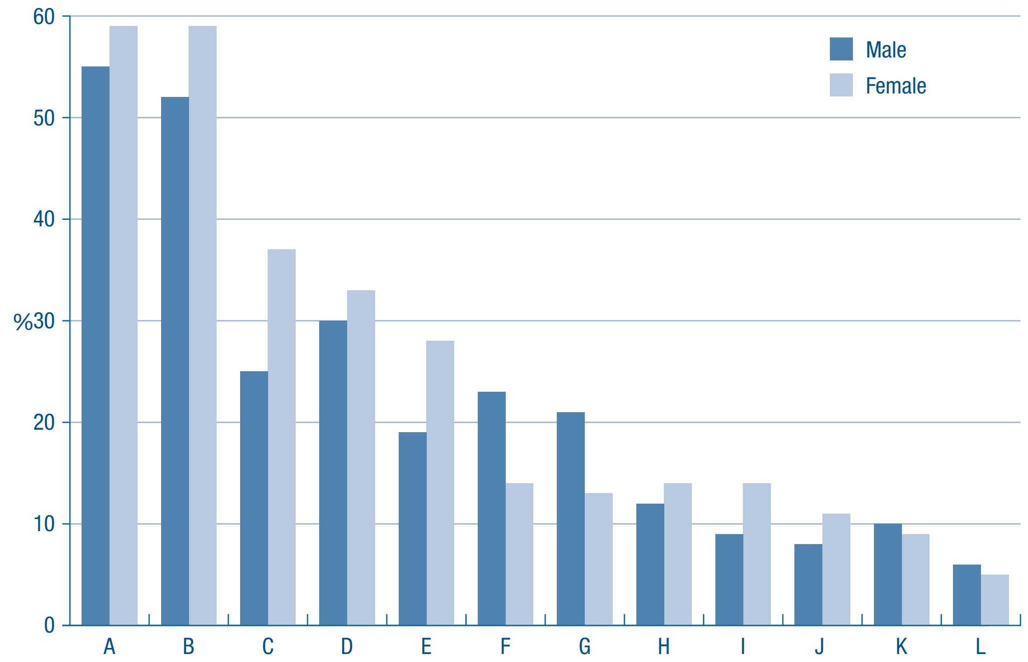
The predictions made by parents, of course, were not all as negative as this. Expectations that the money would be used to fund higher education was the second highest response and around a quarter of parents said that their 18 year old would continue to save. The overall views of parents were, however, quite different from those of young people themselves, as we can see from Figure 10.

The clear consensus was that they would save the money and/or use it to pay for their university or college education. Using the money to enable them to get on the property ladder ranked third in their perceived priorities, followed by acquiring material possessions. Fewer than 10% thought they might just have fun or use the money for no specific end.

The participants in the student and graduate focus group had similar views. Although they recognised that *“What would I do with £20,000”* was, for them, a very hypothetical question, most felt that they would have used it for a combination of saving, spending, funding university or a deposit on a house. They also felt that if they had grown up as part of the Trust Find generation they might have become more financially responsible, knowing that there was a sizeable sum of money in store when they reached the age of 18. One said:

“Perhaps I would have gone to university later. I would have bought a house and then gone. A little bit of debt makes you carry on spending, but for me it also works in reverse. If I’ve got a little bit of money I think: ‘well, I can actually do something with this’.”

Figure 10. What I would do with £20,000 – young people.



A Continue to save
B University/higher education
C Buy a house
D Material goods
E Travel
F Start my own business
G Business investment
H Passion/hobby
I Gap year
J Wedding
K No specific end/have fun
L Don’t know

There was a slightly more mixed response from the group of ‘young workers’ – people who had gone straight from school into jobs rather than higher education. Nearly all, however, said that they would have used it to make an investment of some kind. One said he would have been too ‘scared to spend it’. The most common response was that the money was likely to contribute to the cost of buying a house. There was also a general feeling that this money could ‘buy them some time’ in which to decide what they really wanted do – an opportunity to experiment:

'I'd figure out what I wanted to do then use it later in life. I would invest it while I make the decision.'

'If I had a lump sum I'd want it to keep growing'

There was a worry, expressed by some that they might spend it on something they would regret.

At first sight there seems to be a big gulf here between young people and their parents. These differences in views and expectations, however, are not necessarily contradictory. Parents want their children to enjoy themselves – all Mums and Dads think that – but also, like all Mums and Dads, they are fretful about the financial futures of their offspring. When trying to predict, even hypothetically, what their sons and daughters would do with a sizeable lump of cash, they tend to reflect on their own teenage years. Being mainly of Generation X, these were in the mid to late 1970s, the start of the 'loads-a-money' ideology and not noted for a prevailing spirit of prudent or financial constraint in an era of economic recession.

The children of Generation X parents, however, have grown up in a very different decade – one of economic stability but also one in which the securities of the past have been largely eroded in order to achieve it. They are, therefore, very different from their parents in the way they anticipate emerging adulthood and the special challenges it will present in the first and second decades of the 21st century. In this context it is their view, rather than that which reflects the social and economic Zeitgeist of a previous age, which is of the most relevance here.

We also place confidence in the youthful rather than the adult view because it is consistent with SIRC's monitoring of social and cultural trends over the past two decades. In a previous study of 16-24 year olds, for example, we asked young people where they would like to be in ten years time. Nearly three quarters said being 'settled down' or 'successful at work'. Only 38% of people in their thirties and forties shared this view. The older age group was twice as likely as the youngsters to want to be 'footloose and fancy free'[4].

There is, then, a consistent body of evidence in this context on which to base our assessments of what the impact of Child Trust Funds are likely to be. We have noted some of these in earlier sections of this report. Here we present our evaluation of the various potential scenarios.

The 'spend it all' scenario

This is the dominant scenario painted by parents in our study. It is also, in our view, the least likely. It might have become a distinct possibility if CTFs had been introduced in the 1970s. Today's youth, however, as we have seen throughout this and other studies, are quite different from those of previous decades. Those of Baby Boomer age may view the children of the nineties and the noughties as a rather dull lot – too serious by half in their single-minded preparations for adulthood. And so they may be. In contrast, however, with their grandparents who are approaching retirement supported by pensions and the substantial levels of equity in even a modest home, they face less comfortable futures as adults. The reckless spending that characterised their parents' generation is, in this context, not one that serves as a relevant model for them – and that they clearly recognise.

There will, of course, be some eighteen year olds who dip into their new-found wealth to buy a car, a motorbike or the latest piece of state-of-the art technology. For many, however, we predict that these will be 'strategic' purchases – used, for example, to get to work or university or in the case of new technologies, for research and information gathering. As we noted earlier, when today's schoolchildren are surfing the web they are, most often, actually doing their homework. These are habits that will undoubtedly persist into emerging adulthood.

The saving scenario

This is the most likely scenario envisaged by young people themselves. Our research also strongly suggests that CTFs will integrate well with the already developed saving habits of children and young people that are evident today – exactly as intended. There is some disagreement between parents and their children about how significant this level of saving actually is, as we discuss in the accompanying Coming of Wage report. It is clear, however, that young people see saving their allowances and sources of earned income, for a short while at least, as a routine aspect of their lifestyles.

Knowing that there is money invested for the relatively long term in the form of CTFs will, we predict, encourage further saving rather than deter it. It is, by and large, people who have no savings who find it the hardest to save. For those who already have at least a little put away, the required psychological state of mind and the behavioural habits are established and subsequently grow.

Given this, it is our view that when today's children reach the age of 18 many may have significant amounts saved up by other means as well. We note in the Coming of Wage report that such savings are usually with a specific purpose in mind – funding higher education being the most prominent. Combined with money invested in the CTFs, this opens up the potential for further scenarios.

The education scenario

Using the CTFs to pay for higher education ranked only slightly below continue saving among children and young people in our national poll. It was also something that the young participants in our focus groups and interviews thought was among the most probable uses of the money.

There is, of course, a difference between what young people think they would do with a hypothetical amount of money and what they might actually do with real money. It is also the case that the temptation to spend part of the matured fund on 'something nice' might overpower previous good intentions. Nonetheless, we can have some confidence in the predictions that the young people have made in this context. They are consistent with the cautious and conscientious ethos that prevails among them and will, we firmly forecast,

4 A discussion of this and other studies is contained in the book by SIRC's Co-director, Kate Fox, *Watching the English* (2004), Hodder.

be characteristic of the younger age group following them. It is also the case that over three quarters of young people expect to go to university or college and have been made very aware through the popular media of what that will entail financially.

In 2006, graduates leaving university had, on average, debts of £13,252[5] – mostly in the form of student loans. These students, however, escaped having to pay tuition fees. In England, current students face additional costs of up to £3,000 per year and it is estimated that their debts on graduation may be in the region of £22,000.

The CTFs, then, along with other savings that might be encouraged by their existence, have the potential to reduce the levels of debt with which the large majority of students are currently saddled in early adulthood – a burden that will undoubtedly grow in the future. Rather than a new generation of 'rich kids' we are more likely, in this scenario, to see a generation of emerging adults that has more of a 'clean slate' when they start on their careers and professional development.

This all assumes, of course, that higher education remains the 'must have' commodity that it currently constitutes. Rates of graduate unemployment have been edging up in recent years and a first degree or equivalent diploma, except in very specialist fields, no longer acts as an automatic job ticket. When nearly everybody has a degree of one kind or another, then even higher levels of qualification will be required to compete effectively in a job market that will rely, certainly in the higher echelons, on such advanced skills and knowledge.

This raises the possibility of other scenarios being generated in an era when just having BA after your name might no longer get you very far and when a cost-benefit analysis of higher education might tip the balance in favour of alternative strategies.

The small business scenario

Could the CTFs spawn a new generation of aspiring entrepreneurs? There is some indication in the poll data that this may, indeed, happen. Over 20% of boys and around 14% of girls said that if they had £20,000 they might use it as a business investment or to start their own company. This is the response from a generation of youth that is relatively risk-averse compared with those of the eighties and nineties. They have also grown up in an era in which the value placed on higher education has been significantly greater than that place on commerce or the establishment of small businesses. At the moment it is people in their fifties who are the most likely to set up their own businesses, rather than those in their twenties or thirties.

In the near future, however, developing technologies will offer even greater opportunities for e-commerce as people increasingly expect to be able to shop and obtain services online – something which today's teenagers will largely be driving in a few years time. The children of the noughties are to an even greater extent 'digital natives' – they have not needed to adapt to new and converging technologies like their predecessors, they were born with it.

5 Survey by NatWest bank, August 2006.

This may lead to significant changes in the future when the costs of setting up trading companies, service providers and consultancies have been radically reduced by the expansion of information and communication technology and when the use of such technologies has become second nature – a trend that is already very evident.

While it is unlikely, in our view, that this scenario will dominate in the lives of the Trust Fund generation, we are confident that the proportion of would-be entrepreneurs identified in our poll might not be too wide of the mark.

The property scenario

Using CTFs for a first home purchase was the third highest ranked purpose in our national poll of young people. It is certainly the case that at the moment buying a home while in one's twenties is, for the vast majority, a fanciful dream. A Child Trust Fund, however, even with the maximum payout resulting from additional contributions, will not go far in today's or even tomorrow's property market. What it might do, though, is to provide that essential deposit that most young people currently lack.

It is at this point, however, that our scenario building faces some difficulties. First home purchase currently takes place when people are in their mid-thirties, coinciding with parallel delays in getting married and having children. The delay in establishing a family, however, is driven not just by unaffordable housing but also by continuing experimentation in both professional and social areas of life. This trend, as we have suggested earlier, is likely to continue for some time.

The maturing CTFs, then, do not, and probably will not, coincide with the point at which emerging adults are likely to be thinking seriously about nest building of this sort. However, given the strong emphasis on continued saving after the age of 18 that our research has revealed, some may opt to roll-over their CTFs into ISAs. This could make even greater funds available at a later point in life for just such purposes as home buying.

We admit, however, that these eventualities cannot be predicted with any degree of certainty and the vagaries of the housing market may upset any forecasts that we might make in this area. It is also the case that a CTF cannot be 'stretched' to cover all the expenses of emerging adulthood. Those opting for the higher education scenario, while not being burdened with so much personal debt, will have little if any of their funds remaining by the time they complete their courses – certainly less than getting on the first rung of the property ladder might require.

One thing is certain though. That whatever the Trust Fund generation decides to do with their money it will have significant benefits for their parents.

The ‘benefiting Generation X’ scenario

We started this report with an examination of the increasing and prolonged dependence that today’s teenagers and emerging adults have on their parents. This is clearly recognised by parents themselves who, while not exactly enamoured by this new pattern of continuing obligation, accept it as part of normal parental responsibility in the 21st century. This is especially evident in the context of higher education – less so in the context of house buying, where many parents feel that their commitments should have ended before the time in their children’s lives that this stage has been reached.

The large majority of these parents, of course, are of Generation X, born in the late sixties or seventies, depending on the current age of their child. What characterises this generation more than anything else is its own lack of provision for the future. Unlike the Baby Boomers who preceded them they missed out on at least parts of the property boom, have pensions that will be inadequate to fund current lifestyles in retirement and yet have high expectations regarding their quality of life and levels of spending.

The Child Trust Funds offer this rather ‘lost’ generation as many benefits as they promise for their children once they reach the age of 18. While parents, unlike their children expect much of these funds to be frittered away on material possessions, they may be in for a pleasant surprise.

There is still of course, as we have seen earlier, the expectation among today’s young people that their parents will support them well into emerging adulthood, and feel that it is their duty to do so. By the year 2020, however, when the first funds mature, that may have changed somewhat. As the reality of CTFs begins to unfold, as opposed to the distant vision of them that we have at the moment, it is possible that parents will increasingly expect the funds in which they have invested for their children to remove at least some of the continuing obligations that they currently cannot avoid. They may, in a sense, feel that they have ‘paid upfront’ for the son’s or daughter’s three year campus spell, start-up business costs or the deposit on a house or flat and are now free to take more seriously financial planning for their own futures – something which currently is woefully lacking among them.

6. Endnote

We have chosen in this report to take a cautiously optimistic view of children and young people, disregarding much of the negative complaining about 'the youth of today' that passes for social commentary and analysis in the popular media and even in the outputs of some think tanks. This is a generation that is growing up in a far less 'gentle' age than was experienced by their parents, and certainly much less 'fun' than that of their grandparents.

These very 'sensible' but also very individualistic and experimenting young people have established, and will themselves drive, a lifestyle model that will impact on the Trust Fund generation in very significant ways. One thing we can be certain of is that today's babies and toddlers, like their older teenage contemporaries, will have a very different outlook on life in fifteen to eighteen years from that of their parents as a result. We can also be certain, given the evidence from this study, that maturing CTFs will not be 'wasted' in the way that parents, reflecting on their own 'less-than-sensible' youth, might imagine. Of the scenarios we have drawn, the 'spend it all' one is the least probable – all of the others have positive outcomes, not least the benefit to parents themselves.

The divide between the 'haves' and 'have nots' will not, of course, be eradicated by CTFs or by any other scheme. There is inevitably the possibility that 18 year olds whose families have contributed the maximum amounts every year into the Child Trust Funds will have a significant advantage over those whose final payment is simply the compounded growth on the government's original and subsequent 'gifts'. In the next ten years or so, however, the new generation of conscientious and 'sensible' young people may themselves become the drivers of those top-up investments. Instead of *"Dad, can I have a new bicycle?"* might we start to hear *"Dad, could you put some more money in my CTF please?"*

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FAR-BR-0013-1006