

Debt Repayment Stays In The Family

The tradition of children borrowing from parents to cover costs such as mortgage deposits and paying off loan debts is starting to see a role reversal, with many parents now turning to their grown-up kids for loans in order to ensure financial security.

April 27, 2008 (FPRC) -- Such is the suggestion of financial services firm Scottish Widows in the publication of new figures which report that so-called "sap back" loans to parents may account for as much as 11 billion pounds. The group asserts that grown children shell out an average of 6,500 pounds in order to provide financial support for their mums and dads, with more than one in ten (13 per cent) found to have given monetary assistance on more than five occasions.

Reporting on the uses of such loans, over a third of parents used the money provided by their offspring to pay off further loans and debts owed to creditors, while 15 per cent spent the money on a new vehicle. Of those interviewed, 14 per cent were said to have used the money to cover the costs of household expenses such as utility bills, food and transport costs.

For those who are struggling with aspects of finance such as energy expenses, personal loan and credit repayments, a debt consolidation loan may be of assistance in easing the strain of meeting daily costs. With Scottish Widows predicting that the strain that such costs will place on overall finances is likely to worsen in the coming months, this may be a prudent time to consider such a loan.

Commenting on the figures, Anne Young, savings expert at the firm, said: "It's obvious that parents have felt the pinch as a result of being 'sapped' for thousands of pounds from their adult children and are now turning the tables on them and 'sapping back'. As over a third of parents planned to use the money they handed out to their children for their own retirement, they are finding that they are missing the money in their later years. I do expect the trend of parents having to go back to their children for money to increase in the future."

Meanwhile, leading economist professor Merlin Stone comments that the rising levels of debt facing young people will have a knock-on effect for their parents' finances, with loan repayments and debt management a growing priority for all generations in the face of a tightening of credit markets and a downturn in mortgage applications. He added that for many parents, sapping back is now becoming a necessary step for those who are struggling to meet daily living costs.

In an effort to combat the drain that rising living costs and intergenerational debt, Ms Young concludes that putting money aside into an individual savings account early on in parenthood, consumers may well be able to accrue the necessary wealth to survive the pressure placed on their finances by their children.

Such considerations have recently been suggested by financial services provider Norwich & Peterborough to be of growing concern to both men and women, with more than half of respondents to a study conducted by the firm last month stating that monetary decisions were made jointly.

For families who find themselves struggling to meet household costs, a debt consolidation loan could help to ease the strain and make monthly outgoings more manageable.

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