

## Protecting the Bank of Mum & Dad

A perfect storm is gathering - a desire by parents to help their children get onto the property ladder plus a continuing increase in the rate of divorce in the UK. So, more and more parents are insisting that their child arranges a pre-nup before gifting them a big chunk of cash. Clearly they are thinking the worst in that if their child gets divorced, part of their "gift" will be lost to the partner in the divorce settlement.

The number of pre-nups has increased substantially recently, and whilst judges will not necessarily follow the terms of a pre-nup in a disputed divorce, the Supreme Court ruling in the case of a German heiress in 2010 upheld the terms of her pre-nup - so pre-nups now carry considerable weight in these situations.

Financial assistance from parents to help children to get on the property ladder is thought to be around £5bn per year, making the Bank of Mum & Dad the 10<sup>th</sup> biggest lender in the UK and up to 1 in 3 of new mortgagees has help from family. To a degree this is understandable as we know that some parents have even re-mortgaged their homes to help children buy a home, but what will happen if the child divorces?

Pre-nups have normally been seen as the preserve of the wealthy celebrity, but this is fast changing and becoming "sensible" planning as opposed to protecting huge existing wealth.

It's suggested that each year more than 250,000 sets of parents help their children financially – lending an average of £17,500 each, so you can understand the desire to protect their generosity.

Yes, pre-nups seem unromantic and bring the prospect of divorce to the fore, but remember that a pre-nup is not just to protect a gift to a child to help with a house purchase or private school fees for a grandchild, it can also help to protect an intended inheritance.

However a pre-nup is not the only way to help protect a loan to a child. Trusts can be used and even a formal loan agreement can be drafted in order to formalise the arrangement.



If you feel that you would like to explore setting up a pre-nup, trust or a loan agreement speak to your solicitor or we will be happy to introduce you to one of our legal contacts who work in this specialist area.

Please contact us

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