

Levelling up my inheritance

By David Hearne, Centre for Brexit Studies

Much ink has already been spilled (and doubtless much more will be) on policies to “solve the social care crisis”. A great deal of focus is on intergenerational fairness, given that young people have borne and overwhelming burden to (mostly) protect older adults during the COVID crisis.

However, the big gap is not between the old and the young but between the “haves” and “have-nots”. The big beneficiaries are not some generic amorphous group we label “the old” but rather people like me (disclaimer: mid-30s).

Why is this? The principal benefit is that those with assets will no longer need to liquidate them in order to pay for care (or, if they do, will only need to free up £86,000). It isn't the elderly that will benefit but rather those that stand to inherit.

Why do I fall into that category? Put simply, our parents (and grandparents) own their own houses. They're retired, have pensions (of varying amounts) and some savings.

None of them are fabulously wealthy multi-millionaires, but they are all what you'd call “comfortably middle class”. They had good jobs and earned above-average wages. No surprise, then, that they have houses worth more than average. We are not unusual: millions of families are in a similar position.

This matters because where previously end-of-life social care would have cost a significant proportion of the value of these, the lifetime cap of £86,000 limits this. Put simply, the government has “levelled up” our inheritance.

Who will pay for this largesse? Working adults. Why does it matter? Because I didn't earn a penny of it. You don't do anything to deserve an inheritance, it's just luck. Manna from heaven. What next? A penny on income tax to fund superyachts for Euromillions winners?

In fact it's worse than that, because this acts to further privilege an already privileged demographic group. Remember that the beneficiaries of this will be those who have older relatives that own property worth more than £86,000 (I suppose you might say £172,000 for a couple although the calculus gets a bit more complicated here).

Elderly property owners (and those about to enter that group) overwhelmingly belong to one ethnic group: white British. The main beneficiaries will be their white British progeny. They are also overwhelmingly middle class: the poor are much less likely to have assets above £86,000.

My friends and neighbours from Eastern Europe won't benefit from this policy. Nor will the family from Stoke-on-Trent where grandma owns a 3-bedroom terraced house. Nor the family of black Caribbean background in East London whose grandparents couldn't afford the astronomical price of flats there.

However, they'll all pay for it. Those who pay national insurance (even more so those who will pay over the lifetime of this policy measure) are a diverse bunch. The only thing we all share is that we work for a living.

Let us be brutally honest: the white British, middle class demographic is hardly underprivileged (at least on average – of course there are exceptions). After adjusting for qualifications, we already earn more than most other groups (even in the same occupations).

Is it right that the government should give a further leg-up to those of us who already belong to a privileged minority? Based on what merit? The fact that I happen to have been born to intelligent, well-educated parents in a particular country (the UK) with a particular amount of melatonin in my skin?

All of us want to do the best by our families. Given that those who have more will be able to do more for their families than others, it isn't surprising that privilege gets passed down through the generations. If I am fortunate enough to inherit something one day, I will use it to benefit my kids, just like any parent would – whatever demographic group they belong to.

What is unconscionable is that government should aid and abet that process. The job of government should be to break the cycle of privilege, not reinforce it. And I say that as a beneficiary.

None of this takes away from the need to reform social care. Everyone should have the right to live with dignity and as much comfort as possible, including as they near the end of their lives. Nobody disagrees with that fact.

It makes absolute sense for government to want to insure against this risk on our behalf. After all, the NHS is effectively collective insurance against illness or injury (and is extremely good value compared to many private insurance systems). I pay into that via my taxes and I would expect to have to do the same for social care.

The question is how to tax this. Given the unequal spread of wealth in our society, and the fact that the beneficiaries relative to the *status quo ante* will be families with houses, it makes sense to tax this source of wealth. That would be equitable. Those with the broadest shoulders (houses worth over £500,000, for example) would carry the heaviest burden.

This isn't hard. It's just politically difficult and inconvenient. It would anger the government's vote base and be inexpedient. But it *would* be just. And that is far more important.