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Home, precious home

ONE of the first things that old people did when they grew richer was to move out of their children's homes. A book by Dora Costa on retirement in America records that in 1880 almost half of retired men lived with their children; in 1990 the proportion was only 5%. In fact, as home ownership has risen among older people, the trend in a number of countries has been the reverse: the adult children move in with mum and dad.

The relationship between parents, children and the parental home is one of the most emotive issues of retirement. The rise in house prices, says Martin Weale, director of Britain's National Institute of Economic and Social Research, is essentially a way of transferring resources from young to old. So for the young, sharing the home with the grandparents may be a good way to retrieve some of that transfer. A vivid example comes from South Africa. Esther Duflo of MIT looked at what happened to grandchildren there who shared a home with their grandmother after pensions for black people rose sharply in the early 1990s. She found that granddaughters (but not grandsons) grew taller. That suggested the grandmother was using part of her pension to pay for a better family diet. (However, she found no such effect when the grandfather shared the family home.)

The old rarely sell their homes or trade down to release money to live on in old age. Even when one partner dies or moves into a nursing home, the sale of the home is the exception, not the rule. So when an old person needs long-term care, governments (and families) face a quandary. Should the taxpayer carry the main burden of residential care if children who stand to inherit a fine property are unwilling or unable to look after their parents themselves? Or should the family be forced to exhaust the parental savings first before getting state help?

In France, children have a legal obligation to look after their parents, and the government theoretically has the power to recoup from an estate the value of care given to an old person. But such powers are not much used. Understandably, perhaps: when an OECD report on Iceland recommended that old people should exhaust their savings before the state paid for their care, the response was outrage. In the United States, the savings test has spawned an industry, just this side of fraud, to manipulate the ownership of the family home. Governments might find it easier to devise a system of compulsory insurance to pay for old people's nursing care than to tussle with a grieving family over the sale of granny's most valuable bequest.

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