

## Rising rates and real estate values push more parents to help out

Real estate, lending and investment specialists singing the same tune: helicopter parenting around buying real estate has taken off.



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Baby Boomer parents are playing a bigger-than-ever part in property purchases for their adult children as high house prices and interest rates push bricks and mortar beyond the reach of many first home buyers.

Experts say many more mums and dads are handing over financial gifts, early inheritances or loans, while others are going guarantor for a child's mortgage and some are jointly investing with their children to help them get started.

It's not just Baby Boomers stepping up – Generation X parents, now aged 45 to 59, who have enjoyed strong gains on their own property values are helping their Millennial and Gen Z children buy real estate.

Property buyers' agent Michelle May said there had been a "significant" jump in Baby Boomer parents contacting her on behalf of their children.

"I never used to get any inquiries from parents, ever," she said.

"Last year it started, and now it's the majority.



Property buyers agent Michelle May says Boomers are helping out more. Picture: Supplied

"First home buyers without help are basically not getting into the market, and some boomer parents are concerned that their children may be making the wrong decisions."

Property coach and author of *Sort Your Property Out*, John Pidgeon, said the level of parental involvement with real estate purchases today was "alarming".

“Property prices are way out of control for a lot of first home buyers,” he said.

“The great Australian dream is over in terms of kids buying in the suburbs they have grown up in.

“They have got to think of a different strategy ... parents are loaded up with equity and can help the next generation out that way.”

Buying an investment property first was increasingly becoming an alternative, Mr Pidgeon said.

Gifting money was a popular strategy and parental guarantees were common, he said, but some parents did not understand all their options.

“A joint venture is becoming more common ... invariably you get a better asset as well because you can spend more.”

Some parents buy property in their own name rather than their child’s to protect it from future relationship breakdowns, and leave open the door for future first homebuyer incentives.

Oracle Lending Solutions managing director Angelo Benedetti said rising property prices meant every second deal his business was doing was a family guarantor loan, “whether it’s owner-occupier or investment”.

“We are seeing a lot of it, and I think it’s going to be a sign of what’s to come,” he said.

“People don’t have the ability to save the amount required to avoid mortgage insurance.”



John Pidgeon says family joint ventures are becoming more common. Picture: Supplied

Some people were signing up to government first homebuyer programs that eliminated mortgage insurance, but these had their own restrictions, Mr Benedetti said.

“Many parents have lots of equity given what’s happened post-Covid, and they can see being guarantor is not long term,” he said.

“The Bank of Mum and Dad is looking at other options moving forwards – I will be doing it for my kids.”

Ms May said problems could arise from “blurred lines” around financial arrangements, buying decisions and future selling decisions.

“What happens if the child is in a marriage or de facto relationship? How do you protect the asset?” she said.

“You need to have those difficult conversations before getting started – get it documented with a solicitor or lawyer.

“Money brings out the worst in people, even if they are related.”