

Mr Willetts wants to penalise savings and home ownership

The Resolution Foundation has come up with a cruel blockbuster this time in its efforts to create an intergenerational war in the UK. They argue that older people have too much of the country's wealth, and recommend taxing pensions and homes much more to pass the money on to younger people.

They ignore the obvious point that in all past generations older people have more of the wealth than younger people. Most of us start out with no assets. You work up to buying a home of your own on a mortgage, and start to put savings away for rainy days, and gradually build up a pension pot. As people now live longer they may spend many years in retirement, so they need a substantial level of savings to see them through their remaining years.

Most bizarre is the Foundation's idea that many older people have done well out of house price rises. Most people just own the home they live in. As most wish to carry on living in it, they cannot use the gains they have made for some other purpose. The people who ultimately gain are the younger people or the charities who inherit the money on death.

Worse still is the Foundation's prescription to deal with this misinterpreted problem. They want to charge people more for living in their own home if it has gone up in value – £2.3bn more for the country as a whole. They want to charge people extra tax on their pensions in payment, placing an NI charge on top of their Income tax on the pension receipt! They want to impose more NI on any earnings people add to their pension.

You do not make the young rich by making the older poor. Tackling some poverty in old age has been a success story, so why now go back on it and try to impoverish the prudent? I agree with them that we can and should do more to help young people with home purchase and with university fees.

Trying to pit one generation against another is unpleasant politics. In many families there is a spirit of mutual help between the generations. Where parents and grandparents have surplus savings they do often help young people to pay their way through education or to acquire their first home.