Issue no.9 May 2021

Pure Retirement

The Quarterly Pure Report

1 in 5 have put back retirement plans

269.5% Average gender pension gap

2020 customers released funds for expenses and home improvements

Older homeowners cleared **£612m** of debt last year

DEBT

As always we want to share with you the market and customer trends spanning the last few months, keeping in mind that the ongoing worldwide situation is greatly affecting the way that everyone is thinking and acting at present.

We've divided our findings into three sections:

1. **Demographic Trends**
   Outlining general lifestyle patterns among retirees
2. **Customer Patterns**
   Detailing retiree patterns when it comes to their affairs and finances and the way they interact with financial services
3. **Market Trends**
   Covering general patterns in the wider sector

We hope you'll find this useful and welcome any feedback on things you'd like to see included going forward.

1. Demographic Trends

Property wealth among the over-65s continues to grow, rising by more than £9,200 per household on average in the past year. Mortgage-free property wealth among that age group now stands at over £1.2tr, increasing by a total of over £46bn in the past year. Since 2010, over-65s property wealth has grown by 57%, representing a total of £444bn (or £88,735 per household) over the ten-year period. There's naturally regional variation in these figures, with London leading the way with an average year-on-year rise of over £21,000 per household.

Naturally, the ongoing fallout from the pandemic continues to affect people's willingness, or confidence to be able to retire, with one in five aged 65-74 surveyed by Close Brothers claiming to have put back their retirement plans, and 14% of those aged 55-64 choosing a similar path. It should be noted that this isn't due to a perceived lack of financial preparedness, but rather from looking to improve their financial resilience should another crisis hit. Pension funds do continue to produce a mixed picture. Funds themselves grew 4.9% in 2020 (albeit representing a significant drop from the 14.9% achieved in 2019), while annuity income has fallen for the third straight year.

There is concern in the financial services sector about the continued pension gap between men and women, with Responsible Life reporting that the average gender pension gap among mortgage applicants is 269.5% (compared to 40% for the population at large). 53% of retired couples lodging an application have a gender pension gap and the worst gap in Responsible's research is as high as 4,433%. The figures follow on from similar concerns being raised by Schroders Personal Wealth, relating to women's pensions post-COVID.

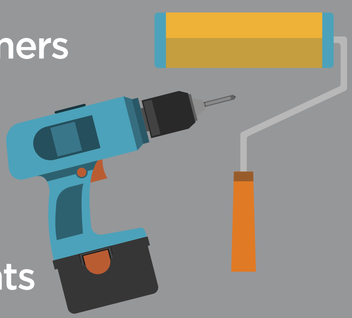
Outside of gender gaps, there are also warnings being sounded regarding generational trends, with the International Longevity Centre UK's research highlighting that Gen X'ers are chronically under-saving, with one in three at risk of retiring with insufficient income. Additionally, one in five are saving less or spending their savings, while just 7% of those with defined contribution pensions are saving enough to achieve a moderate lifestyle. These trends come at a time when existing retired households are losing 14% of their income a year to direct taxes, mainly income and council taxes.

Increasing numbers of customers are also considering receiving care at home in the future, with the Equity Release Council's research highlighting that 67% of over-50s claim that they intend to pursue home care solutions in the future.

2. Customer Patterns

Among existing customers, it's no surprise to learn that there are fewer released funds for cars and holidays. Instead 2020 customers have been using released funds to cover necessary expenses and make home improvements, with a dramatic increase in property purchases and relocation also noted, rising from 6% in Q2 to 18% by Q4. Older homeowners cleared £612m of debt in total last year through releasing equity from their homes, with credit cards, overdrafts and loan balances being the main sources of repayments. These figures are backed by data from HUB, which show that among those aged 55-64, 29% put their released equity towards paying off their mortgage, with a further 12% going towards clearing other debts. Among over-75s, gifting is becoming increasingly prevalent, with 23% of respondents in that age group passing funds onto family members.

2020 customers released funds for expenses and home improvements



Older homeowners cleared **£612m** of debt last year

Those in later life are failing to claim the full amounts of state benefits which they're entitled to, according to Just. While not life-changing amounts – on average it would equate to around £830 a year in extra income per household – it arguably points to a lack of understanding when it comes to later life funding channels, and the importance of effective advice. This understanding of personal affairs takes on greater precedence when allied to news that pensions could form part of the government's dormant assets scheme in order to support the country as it recovers economically from the effects of the pandemic. Were they to be included, pensions would join assets from across the insurance and pensions, investments, wealth management, and securities sectors.

Failing to claim state benefits on average equating to **£830** per year

With the recent lockdowns affording opportunities to save money and diminished opportunities to spend it, savings reserves have been steadily building up nationally, which have then been evidenced in terms of mortgage debt patterns. In just three months, UK households repaid £17.6bn of mortgage debt, equating to £192m a day. However, while overpayments have soared regular repayments have remained below pre-pandemic levels as some mortgage lenders continued to defer payments. This suggests a pandemic-driven wealth gulf with two distinct camps – those struggling to manage their existing debts, and those who've been able to make the most of the pandemic to reduce theirs.

In Q1 2021, UK households repaid **£17.6bn** of mortgage debt equating to £192m a day

Market Trends

The market saw a strong end to the year last year thanks to pent-up demand and low pricing throughout the industry, according to figures released recently by the Equity Release Council. The second half of the year saw a 19% quarter-on-quarter uplift compared to the first six months of the year, with over 20,000 new plans being agreed between July and December of last year. Despite challenging conditions, nearly 73,000 new and returning customers were served, unlocking £3.89bn of property wealth. Continued innovation saw market average rates fall to 3.95%, with 58% of plans offering sub-4% rates and 26% priced at 3% or less. Customer trends have seen average ages remain the same, with customers in H2 boasting higher average house prices while also accessing smaller percentages of property wealth compared to 2019.

The full Q1 figures from the Council demonstrate the continued resilience of the market, displaying a 7% year-on-year rise in activity among the market as a whole (i.e. both new and returning customers). New customer plans have cooled slightly to the tune of around 9.5% compared to 2020, however, and returning drawdown customers sit at their lowest point in four years. Average loan sizes continue to increase (average lump sum plans now sit at over £123,000. This is possibly due to increased interest from those at the higher end of the property market, but figures could also be skewed by drop-offs in smaller release uses such as holidays and cars, and greater use for gifting and repaying debt.

The Council's figures echo those from Key, which point to a 12.5% drop in plan sales year-on-year and a 4.4% drop in total lending values, albeit with a strong Q4 which saw £1.1bn of equity released by customers (equating to around a third of the lending value for the whole of the year). Perhaps as a result of this, predictions for future growth remain strong within the market. The European Pensions And Property Asset Release Group predict the market will reach £13bn annually within the next ten years, and the global market is expected to treble in the same period. The report notes that the UK has one of the highest global equity release volumes, and additionally has more than ten lenders, which again represents one of the highest numbers in the world. Adviser sentiment also echoes these predictions, with 58% of those surveyed in recent research believing the market will grow over the next three to five years. This represents a 10% tempering from pre-pandemic figures, where this view was held by 68% of surveyed advisers.

It's been an especially busy quarter for the Council, who've been working hard to maintain an optimal adviser and customer experience going forward. This has included creating a new bespoke risk, policy and compliance team with the intention of improving and delivering the organisation's standards, led by Kelly Melville-Kelly. As part of the Council's commitment to promote best practice, they've introduced a multi-pathway competency framework in partnership with Canada Life, aiming to support advisers' professional development in the later life lending market.

Additionally, they've updated their branding, including the implementation of a new member endorsement mark. The new kitemark is designed to offer confidence and reassurance to consumers by embodying members' commitment to providing a quality experience. Finally, in February the Council launched its new report bridging the equity release and long-term care sectors and exploring the relationship between the two industries and how housing equity could help solve the ongoing care crisis. The report benefitted from input from a number of key stakeholders, including Pure Retirement's CEO Paul Carter, My Care Consultant's Jacqueline Berry and MP Damien Green, bringing together a large resource of timely commentary on an important topic when it comes to retirement planning.

Interesting figures have highlighted the main reasons for case declines, including flat roofs, commercial properties, clutter and flood risks. Many are carryovers from 2019, although the order has shifted in many cases.

Take a look at our full marketing toolkit to see how we can help you better reach your potential customer base.

Pure Retirement

Providing solutions for your future

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