Issue No.13 June 2022

Pure Retirement

The Quarterly Pure Report

Our resource for you, helping to enhance your knowledge of the market and your target audience

42% of men aged 65 are now in work

47% can't save more into their pension

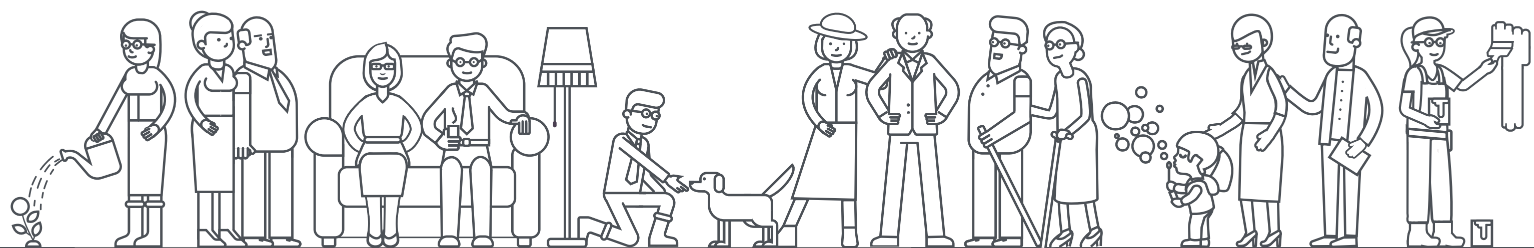
22% plan on releasing equity

20% looking to support day-to-day living costs

We've divided our findings into three sections:

1. **Customer Demographics**
   Outlining general lifestyle patterns among retirees
2. **Customer Habits**
   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.



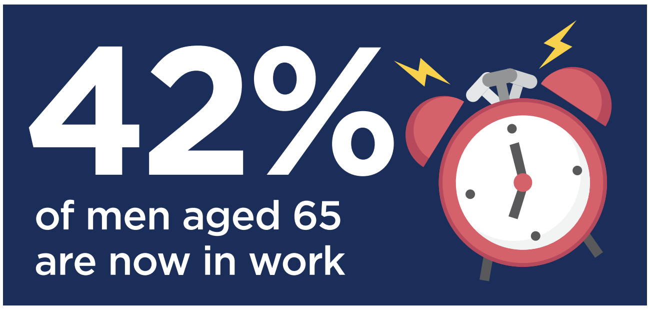
1. Customer Demographics

Research from Aviva suggests that 60 is the most popular age for early retirement, with one in four of those surveyed aiming to leave work behind by this age. It comes as more and more people are seeking to use early retirement as a vehicle to embrace a new lifestyle while still being fit enough to enjoy it, with 32% of those questioned as part of the research subscribing to this particular mindset.

It feeds into similar findings from the Local Pensions Partnership Administration, which undertook some cross-generational research attempting to find out what retirement meant to people. As part of the results, 32% of respondents across all age groups were likely to prioritise ideas around time, freedom and family. However, Gen Z were more likely to prioritise ideas around relaxation and money than older people.

Yet for people's plans of early retirement and a relaxed lifestyle-based retirement, the reality is that older generations are in danger of being disproportionately affected by rising inflation, owing to pensioners spending a larger proportion of their income on essentials such as food and energy bills. As a result, Hargreaves Lansdowne has warned that rising costs of living could see them having to dig deeper into their pension pots.

Record levels of over-65s are choosing to stay in work due to an increase in the state pension age, according to the Institute for Fiscal Studies. Around 55,000 more people in this cohort were in work in 2021 than was the case prior to the changes in state pension age. 42% of men aged 65 are now in work with disproportionate rises in deprived areas. In a separate piece of research, Hargreaves Lansdowne also found that less than 40% of people are on track to receive a moderate level of income in retirement, meaning people aren't saving enough to see an annual retirement income of £20,800 for a single person or £30,600 for couples.



The International Longevity Centre has warned that the state pension age needs to rise a lot faster than originally planned, estimating that it needs to hit 70 by 2040 in order to be both fair and fiscally responsible. It comes at a time when the government's pension bill has tripled since the year 2000, with their plans seeing the state pension age rising to 68 between 2044 and 2046.

Research from Just Group claims that nearly half of home-owning pensioners do not claim state benefits, missing out on nearly £1,200 a year on average. Additionally, 20% of homeowner pensioners who were receiving benefits were receiving too little, missing out on around £1,220 on average.

The average first-time buyer age in the UK is now over 30 in every region of the country, with the gulf between house price and deposit widening by 6%, despite average deposits currently sitting at just under £54,000. With rising numbers of first-time buyers – up 35% in 2021 vs 2020 – this potentially sets the scene for increased gifting in future, especially as house prices have risen 20% in the past two years (and over 12% in the last year), meaning existing homeowners have rising levels of housing equity to release to support family members.

Amid this backdrop, half of first time buyers report not being able to afford a home without assistance from their parents, with 13% unsure. Two thirds of homeowners with children claim to be happy to help, with only 18% saying no (citing a lack of means).

2. Customer Habits

Finances continue to be an emotive subject among the wider population, with over a third admitting to struggling to talk about money issues and one in ten not even willing to discuss their finances with their partner. Brits aged 75 and over are even more guarded with their finances, with 59% being of the view that it's a private matter, and 42% of the same age group admitting it's difficult as it can be an embarrassing subject.

This is especially prevalent among women, with research conducted by Abrdn highlighting that women aged 55 and over are particularly reluctant to ask their advisers about their pension pots compared to their male counterparts. Only 19% have sought professional advice (vs 25% of men), and just 9% would proactively contact their adviser with any questions (compared to 15% of men).

One in five of those surveyed by FSCS have never checked their pension pots, with a further 12% admitting to being uncertain as to the last time they checked their balance. Additionally, 40% of those saving had not checked if their pension was protected by FSCS. It comes at a time when 47% of those not yet retired cannot afford to save more into their pension due to the rising cost of everyday living, according to data from PLSA, with the same results also highlighting a lack of knowledge around pensions and automatic contributions.

47%

of those not yet retired can't save more into their pension

The number of people with adverse credit who've missed a payment on an unsecured loan has soared by 33%, with a 5% rise in people with adverse credit against them due to a CCJ, and a similar rise in people with adverse credit who've missed a payment on a mortgage or secured loan. Additionally, the number of people with adverse credit who've entered into a debt management plan has risen 6%.

33%

rise in people with adverse credit missing a loan payment

Rising inflation could see around 3.4m pensioners facing a combined loss of around £3bn in the spending power of their savings, according to analysis by LCP. Analysis has shown that over 3m over-65s are holding an average of over £25,000 in cash ISAs, and with many seeing interest of less than 1%, a 5.4% inflation rate would see a net loss of 4.4% of the spending power of their savings this year.

35% of all people who aren't currently retired own a property but have less than £10,000 in their pensions, with 22% holding no pension savings at all, according to research from L&G. 22% of current workers claim to be planning on using the value in their home to fund their retirement following recent house price increases, with the average homeowners being able to access nearly £73,000 via equity release.

22%

of current workers plan on using the value in their home to fund their retirement

Fully remote workers could boost their pensions by more than £166,000 by retirement, according to analysis by PensionBee. Remote working could likely save workers up to £25 a week on food and drink, and £26-£50 on travel. It's not lost on people either, with 59% of remote workers surveyed stating they would add these extra savings into their pension contributions.

3. Market Trends

46% of equity release applications to Canada Life were from customers looking to clear mortgages, with a third of applicants looking to make home improvements to add value or enjoyment to their property. For the first time, supporting day-to-day living costs entered the top three, with nearly 20% of customers exploring that as an option.

20%

of customers looking to support day-to-day living costs

This tallies with data from Key, who saw 38% of plans taken out being used to repay mortgages, with 19% used to support family or gifting. The figures show that £4.4bn was released last year, amounting to £12m of equity being accessed every day.

The amount of housing equity available to over-55 homeowners now stands at £766.3bn, according to data from Halifax and Canada Life. This represents a £25bn rise in the combined total amount of equity in the three month period, and also highlights regional discrepancies in available equity – the South East currently has the largest pool of available equity of regions in the UK, with average property prices sitting at £374,000 and a combined £148.9bn.

Market rates have slowly begun to rise, according to data from Moneyfacts. At the start of March, average market rates stood at 4.33%, which was a significant rise from the record low of 3.86% seen 12 months earlier at the start of March 2021.

Q1 of 2022 saw more than 23,000 new and returning customers to the equity release market, according to quarterly figures from the Equity Release Council. The total number of new plans agreed represents a 21% annual increase, with total quarterly lending reaching £1.53bn between January and March (up from £1.34bn in Q4 2021), and the average new loan size growing 6% annually, matching the latest inflation figures.

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

Pure Retirement

Pure Retirement Limited, 3175 Century Way,
Thorpe Park, Leeds, LS15 8ZB

www.pureretirement.co.uk