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Pure Retirement

The Quarterly Pure Report

50% of 2021 retirees won't give up work

58% growth in mortgage-free wealth

19% of 65 to 75-year-olds delay retirement due to pandemic

+67% market growth vs Q2 2020

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.

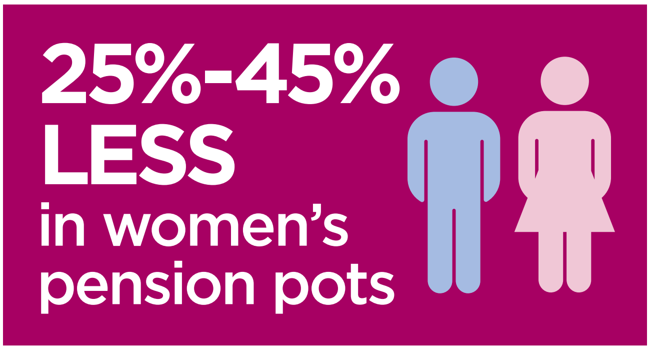
We've divided our findings into three sections:

1. **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 Update**
   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

There continues to be a considerable amount of discourse surrounding the gender gulf when it comes to retirement planning and available pension pots. Analysis by Barnett Waddingham suggests that the current UK pension system disadvantages women, leaving them with between 25% and 45% less in their pension pots at retirement compared to their male counterparts despite contributing the same amount of their salary. This divergence becomes most noticeable around the age of 32 and continues thereon, though it should be noted that from their mid-50s women increase their contribution more than men.

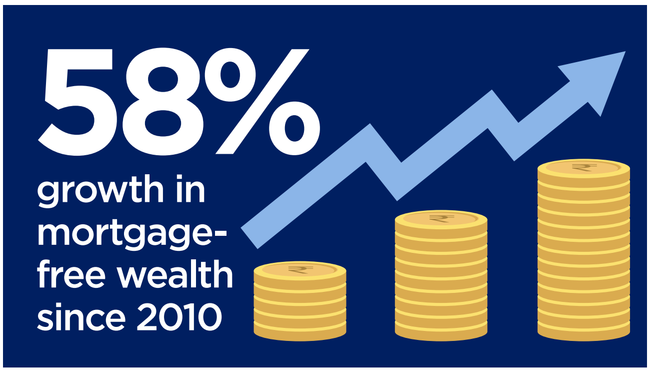


These trends are backed by additional research by L&G, with 25% of women having less than £5,000 in their pension pot compared to 15% of men, and that on average women over 50 have roughly half as much in their pot compared to men (£43,0114 vs £82,311). Men also have more in cash savings on average, and are more likely to know the current value of their pensions. Figures from Just Group also add to the discussions, showing that among retired over-55s 32% of men had the financial foundation to leave work early, compared with 16% of women. Additionally, poor health was a common reason for 37% women to retire early, compared to 29% of men. Women are also three times more likely to have stopped work early to provide care (14% vs 4%), and four times more women aged 65+ have left the workforce since the pandemic has begun.

There are shifting attitudes to retirement in general, with findings from Standard Life Aberdeen pointing to increased 'flexi-retirement'. According to their figures, more than half of those retiring in 2021 do not plan on giving up work completely, with 27%

planning to go part-time rather than leaving employment altogether. This could potentially be tied to affordability as much as it is with lifestyle and wellbeing choices, with SLA also releasing a separate piece of research highlighting that two thirds of people retiring this year risk running out of money. Their analysis has highlighted that retirees plan to spend £21,000 annually on average, but looking at pension pots and factoring in the state pension 66% risk coming up short, in part due to 33% admitting to having less than £100,000 saved in a private pension pot.

Property wealth among those in later life continues to rise, with data suggesting that since 2010 over-65s have seen their mortgage-free wealth grow by 58%, equivalent to £90,420 per household. Total property-wealth among this demographic is now valued at £1.23tr after increasing by £8.4bn during Q1. This equates to an average gain of £1,685 for every over-65 homeowner during the first three months of the year, or roughly £561 a month. This tallies with Canada Life's own analysis, which demonstrates a £50bn quarter-on-quarter rise in housing equity available for release among the over-55s, taking the grand total to an estimated £650.7bn.



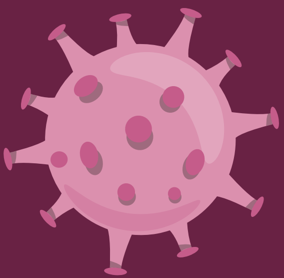
2. Customer Habits

19% of those aged between 65 and 75 surveyed by Close Brothers have had to delay their retirement as a result of the pandemic (as have 14% of those aged between 55 and 64). Additionally, 20% of over-65s said they don't have emergency savings, with the same proportion also admitting that they were not financially prepared for the pandemic. It comes amid a backdrop of increased levels of over-50s being out of work, rising by 33% towards the end of 2020 compared to normal levels.

Those who've taken out annuities have also seen income levels stifled compared to pre-pandemic levels, according to research by Moneyfacts. In 2021, annuitants are set to receive £159 less a year than they would have done in 2019. Furthermore, HMRC data shows that £2.6bn was withdrawn from pension pots in Q1, a 6% year-on-year increase. Under such conditions, it's perhaps unsurprising that those aged 41-54 are considering delaying their retirement by 16 months.

19%

of 65 to 75 year olds delay retirement due to pandemic



These figures come at a time when one in five UK savers have three or more pensions pots, according to research commissioned by Hargreaves Lansdowne, while 47% have two or more. Men were more likely to transfer or consolidate their pension pots than women, with a rise in pension transfers being attributed to people using the time in lockdown to get on top of pension-related admin.

Off the back of research conducted by Which? it's been revealed that couples seeking a comfortable retirement will need £26,000 of combined income in order to continue enjoying the lifestyle they want to . This equates to a pot of around £155,000 alongside their state pension, rising to a pot of £442,000 if they were to enjoy a more luxurious lifestyle which would require £41,000 a year to achieve. For single-person households, a pot of over £192,000 would be needed to achieve a comfortable retirement. In among this potential minefield of retirement planning and income considerations, there have been renewed calls for advisers to be given access to a comprehensive, easy-to-use tool to help calculate retirement income and help them best serve their clients – a hole that has become increasingly noticeable since the introduction of pension freedom regulations.

Consumers are increasingly viewing their home as a likely source of retirement income, with research from LV finding that 11% of adults (which can be extrapolated to represent 5.8m of the total population) are planning to use the value of their home to fund retirement, with around 50% of consumers aged 55-74 expecting their property to be taken into consideration by a financial adviser during the planning process. 12% of homeowners aged 40 and above would consider equity release to supplement their retirement income, according to Canada Life's research. However, there's caution around trying to protect their housing income to leave for their family and the perceived bad reputation of equity release (among other factors). The belief of myths and misunderstanding of equity release continues to be a barrier for the industry – Boon Brokers' findings underlined that 67% of those surveyed were unclear as to what equity release was, suggesting consumer education should be a continued point of focus going forward.

As far as funds usage is concerned, L&G have reported a doubling of enquiries relating to releasing funds for home renovations during the first 5 months of the year compared to the same period last year, continuing a trend which began in August 2020. It also tallies with findings that have come from The Centre for Aging Better, suggesting that 63% of older homeowners in England see home renovations as a priority in the next two years. It also comes during a period of elevated levels of gifting, with the end of the stamp duty holiday seeing a total of £323m being given to family members, equating to an average of around £27m a month, or just under £51,600 per borrower.

3. Market Update

During Q2 the market has continued to make moves towards resuming pre-pandemic levels of activity according to Equity Release Council data, with over 20,000 new and returning customers accessing property wealth between April and June. The total lending figure of £1.17bn achieved during Q2 of this year represents a 2% quarter-on-quarter increase and a 67% rise from a subdued Q2 of last year. Returning drawdown activity saw similar levels of recovery following a prolonged period of subdued activity throughout the pandemic. The initial average drawdown amount saw a 4% quarter-on-quarter decrease to £86,349, while average lump sum plan sizes saw a 5% growth over the same period to £129,558.

£1.17 BN in Q2

67% over Q2 last year

The market's appetite for innovation has remained constant despite challenging trading conditions. This has led to an unprecedented number of plans on the market, where the total market size now sits at 769 different plans, up from 309 in 2019 – this also represents a more than 20-fold increase from the 38 available in 2008. With rising numbers exploring the market again, data has emerged about the main reasons for declining applications and how that compares to 2019. Flat roofs, proximity to commercial properties, and flood risk have remained consistent barriers, while single skim properties have become less prevalent year-on-year, with excessive clutter (hindering a surveyor's ability to assess a property fully), rising up to a top-four place instead.

The Equity Release Council launched an updated version of its Adviser Guide To Equity Release in June. Co-produced with Pure Retirement, the new guide adds a wealth of new content to the original version (first released in 2016), ensuring it remains a current and effective resource to help advisers find their feet in the market, best serve their customers, and make the most of the sector's opportunities.

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

Pure Retirement

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