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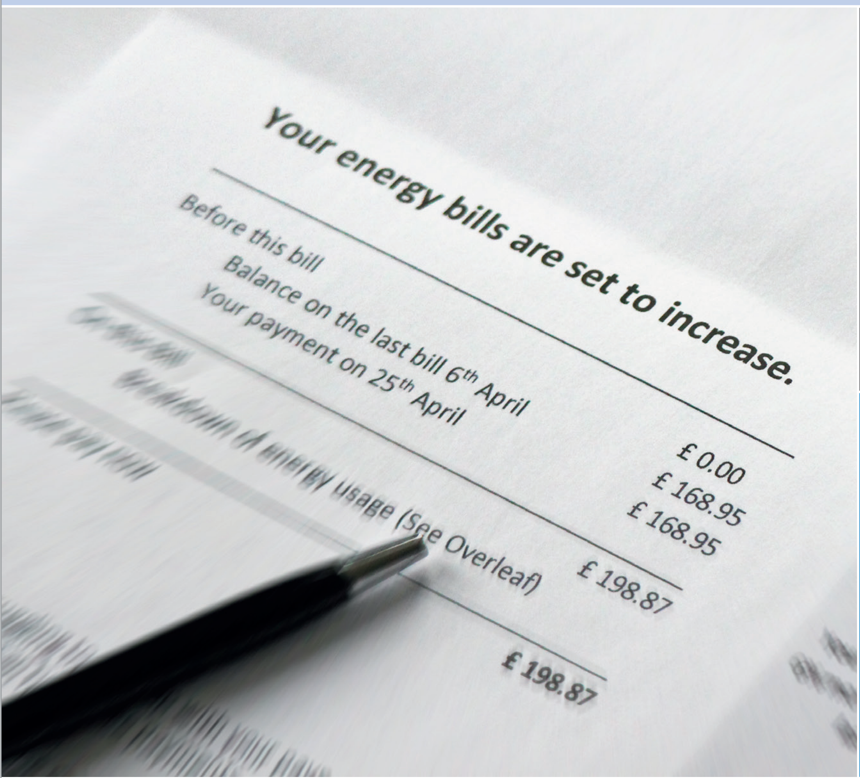
Pure Retirement

The Quarterly
Pure Report

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



75%
Worried about cost of living crisis impacting retirement

£785bn
of housing equity available

73%
have done little-to-no-planning around the amount needed in retirement

50%
of women aged 45+ need to keep working past retirement

We've divided our findings into three sections:

1. **Demographic Trends**
   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. Demographic Trends

One of the big talking points in Q2 has been the growing cost of living crisis, and this has naturally filtered down into how the general population thinks about their retirement. Research by unbiased.co.uk highlighted that 75% of surveyed over-50s were worried about how the current economic landscape will impact their retirement, with 53% fearing they won't have enough to survive financially when they stop working.

Among UK workplace savers, a quarter do not believe that their current levels of saving will allow them to get by in retirement according to data from the Pensions and Lifetime Savings Association – interestingly this also showed variances between age cohorts, with those aged 35-54 most worried at 29%, compared to 20% of those aged over 55. It comes at a time when 46% of industry professionals believe that inflation will remain at 5% or more for the next three years, far outstripping the Bank of England's target of 2%. The poll, conducted at the PLSA Investment conference, also saw 51% believe that it would flatten off from its current peak and, while continuing to sit above the 2% target, would fall back into the 2-4% range.

There continues to be a substantial gender gap in terms of retirement provisions, with data from PensionBee showing that a woman retiring at 64 would do so with 32% - or £139,451 – less in their pension pot than a male counterpart. Additionally if a couple with a two-year age gap retired at the same time, with the woman being the younger of the two, then there could be a pension pot gap of just under £177,000.

This is further underlined by research from Now Pensions, which shows that women would need to work until 83 in order to close the gender pension gap, owing to women living four years longer on average than men and the fact that women aged 65 will have accumulated £69,000 in a private pension, compared to just under £206,000 for men.

The Chancellor has confirmed plans for the restoration of the pension triple lock next year, having temporarily suspended using wages as a calculation metric as the return of many to work post-pandemic would have caused an abnormally high increase. However, with inflation running as high as it is, there could still be a substantial increase to the tune of 9-10%.

In Q2, house price growth slowed slightly, but nonetheless continued to post double-digit growth according to data from Nationwide. The 12.1% annual increase in April was a slight drop from the 14.3% recorded in March (with month-on-month increases of 0.3% for April, compared to 1.1% for March), but still represented a near-£29,000 premium year-on-year on the average house price nationally. By May, there had been an additional rise in the national average by just under £2,500 to nearly £270,000, with growth again slowing slightly to 11.2% on an annual basis.

Naturally, the continually-rising house prices have had an impact on the total availability for equity within the UK. The latest figures from Canada Life point to over £785bn of housing equity being available for release by over-55 homeowners – an increase of £19bn compared to the preceding three months. Average house prices in the South East of £385,000 make it the highest-value region in the UK with over £153bn of potential equity, with London next at a total of just over £143bn.

The opportunity afforded by the London market makes figures from Netwealth all the more interesting, which highlight that almost half of all over-75 Londoners claim to wish they had been better financially prepared for their retirement. Additionally, 45% of those between 45 and 65 don't have a clear idea as to how much money they need to retire on, while 29% of those surveyed admitted they had underestimated how long they would be retired for.

The UK could be set for a significant change in demographics over the next 20 years or so, with a study by Bowmore Wealth Group predicting a 78% increase in centenarians by 2041. Similarly, the number of people over 66 is expected to grow by 38% over the same time period.

2. Customer Habits

More than half of households are currently not saving enough to maintain their standards of living in retirement, according to evidence given by B&CE to the Work and Pension Committee. The pension provider's findings indicate that 54% of households weren't on track to meet rates set by the Pension Commission in 2004. Even allowing for additional assets and housing, more than a third of households would still not be on track to maintain their living standards.

This could be due to a lack of foresight when it comes to retirement planning, with research from Hargreaves Lansdowne showing that one in five people would leave their retirement planning until they were aged at least 60. Similarly, only one in five of those aged 30-39 had started giving consideration to their retirement, meaning future retirees would likely enter their later years underprepared.

Additionally, when retirement planning many people solely focus on the early (and more active) stages of their retirement, with 62% ofthose surveyed by Standard Life admitting to focusing on the early active stages rather than later stages where they might be less mobile or in poorer health. 73% of respondents also said they'd done little-to-no planning around the amount of money needed to live on in retirement.

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With the rising cost of living becoming an increasingly salient point in wider society, many are concerned at the lack of consideration being given to inflation in retirement planning. Just 37% of over-55s quizzed by Key Later Life Finance have planned for the impact of inflation on their spending power when they stop work. With inflation on its way to double digits, 41% admitted they'd not planned for inflation or didn't know whether they had, while 22% said they'd not planned their retirement income at all.

There's a gender gap when it comes to retirement planning, with research from Vitality highlighting that 30% of unretired women have not thought about saving for later life, compared to 22% of men, and they are also less likely to have savings outside of their workplace pension. In both cases, most women cited a lack of financial resources for not saving or investing.

Furthermore, 50% of women aged 45 and older will need to keep working beyond retirement due to inadequate pension savings, according to the results of a survey from Pension Wise. It's a situation that risks being the foundation for a pension crisis among women, as 53% of respondents acknowledged that their pension was not enough for them to be financially independent in retirement.

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Among existing equity release customers, the cost of living crisis is having an impact on funds usage, with data from Canada Life showing that 14% of equity release customers used funds to support day-to-day living expenses, while 12% sought to consolidate unsecured debts and 36% were looking to clear their mortgage.

These figures come at a time when an eighth of Brits are delaying their retirement by up to ten years because of debt, according to credit management firm Lowell. The figures also showed that 21% did not believe that they would have enough money to live on during retirement, while 8% worried that they would accrue more debt after they stopped working.

The pandemic has caused many to reassess their attitudes to long-term care, with 35% of over-55 respondents to Key's care-related research claiming the pandemic had made them carefully consider their later life options, with 29% more determined than ever to receive care at home. Additionally, year-on-year fewer people felt they could meet the cost of care via savings and investments and pension income.

3. Market Trends

Retirement aspirations and financial planning is driving equity release customer choices, with 32% of those surveyed by Standard Life wanting more from life as they get older and 28% putting greater thought towards their retirement planning. 11% said their friends and family needed their support, underlining the importance of gifting, while 17% claimed that they'd always known their pensions and savings weren't enough.

The customer profile of later life customers appears to be changing, with analysis from Henry Darnell showing that not only are three of the nation's most expensive property areas (the South East, South West and London) counting for the largest proportion of lifetime mortgage activity this year, but also that the average equity release property value sits 2% higher year-on-year and 14% higher compared to 2021.

The market has continued to grow and develop, with the total number of plans available to consumers trebling year-on-year. From 547 available products in early 2021, the market can now boast 1,557, with these plans also offering more widely-available features such as fixed ERCs, drawdown facilities, and downsizing protection.

This increased choice will have undoubtedly contributed to recent market results, with recent estimations from the Centre for Economic and Business Research showing that at present equity release finances around £1 in every £90 spent by retired people in the UK, with total retirement spending funded by equity release predicted to top £4bn this year and £5bn in 2025.

Cebr research also points to the fact that older homeowners accessing housing equity through lifetime mortgages directly adds £1.8bn in gross added value to the UK economy, with an additional £1.1bn in indirect effects and £0.9bn in induced effects taking the grand total to £3.8bn. Furthermore, spending funded directly through equity release generates more than 45,000 jobs.

While downsizing has often been seen as the major alternative to a lifetime mortgage, research from Responsible Life has shown that 81% of a sample would have been financially worse off if they'd downsized rather than taken out equity release. On average, the net worth of borrowers was found to be an average of 1.85% higher than if they'd downsized – equivalent to £1,694 a year.

Over 200 customers per day chose equity release to manage their finances as £1.6bn of property wealth was withdrawn in Q2 2022, according to the latest statistics from the Equity Release Council. The number of new plans agreed in Q2 increased 26% year-on-year when compared with the subdued market of Q2 2021 when pandemic restrictions remained in place. New and returning customers withdrew £1.6bn of property wealth, with new plans sizes largely stable at around £135,000 while returning drawdown customers typically withdrew £13,506 each.

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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