Issue No.18 September 2023

Pure Retirement

The Quarterly Pure Report

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

Pensioners likely to run out of money

7 YRS

before reaching average life expectancy

1 in 6

still paying off mortgage when over-65

Over-65s property wealth increasing monthly by

£1,400

Total property wealth of over-65s has increased by

£167bn

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

A generation of retirees are unsure about their financial position and need support to understand it, according to a new study by The Wisdom Council which discovered a worrying lack of preparation for retirement. Almost one-third (30%) felt either not at all confident or not very confident that they will live their retirement with a lifestyle they consider to be comfortable. This compares with just 18% who felt very or extremely confident.

JUST 18%
are confident they can retire comfortably

This tallies with additional research from Penfold, which highlighted that 64% of Brits don't feel confident about their retirement, with 55% not aware of the size of their pension pot – something which increases among higher age groups. The report also highlights the ongoing gender gap when it comes to retirement planning and pension pot sizes. This comes at a time when research from Just Group highlights concerns among the population about the likelihood of the State Pension maintaining its current value by the time they retire, with 55% not confident its value will be maintained by the time they start to claim, compared to 32% who were confident it would keep up with inflation.

Pensioners are now likely to run out of money seven years before they reach the average life expectancy age, according to a research paper from Money Minder, which looked at the average pension pot of Brits at retirement age, and how much they need to maintain a moderate lifestyle. It revealed a shortfall of seven years - with the average single retiree needing a pension pot of at least £367,848 to maintain a moderate standard of living, and the average personal pension fund for those aged between 65 and 74 is almost half of this at £190,000, according to the ONS. With that in mind, it's perhaps unsurprising that Scottish Widows' annual retirement report points towards 35% of Brits facing poverty in retirement, a situation not helped by the number of people estimating they'll still be paying off their mortgage when they're 65 or over. In a survey conducted on behalf of Hargreaves Lansdowne one in six of UK homeowners expected this to be the case when they retire.

Among over-50 workers, nearly two thirds (63%) of 50-year-old workers are concerned about the upcoming increase in the normal minimum pension age, which is scheduled to rise from 55 to 57 in 2028, according to research from TPT Retirement Solutions. The survey suggested that many workers aged 50 are concerned about the increase as more than one in five (21%) currently plan to access some of their pension savings before they turn 60. Perhaps due to a combination of the factors already mentioned, as well as the benefits afforded by hybrid or home working, Zurich has estimated that a large number of over-50s could be tempted out of retirement if working conditions were more flexible. After surveying 2,000 people aged over 50 — both still in employment and retired — the insurer found that more than a quarter (28%) of over-50s could be tempted out of retirement if they could work from home, and 31% would return if flexible working was available.

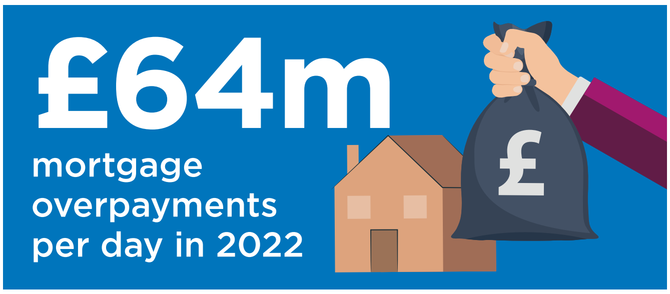
Over-65s have seen their property wealth increase by nearly £1,400 a month in the past year despite recent falls, according to research. The total property wealth owned outright by over-65s has increased by £167.016 billion, worth an average of £16,658 for each homeowner who has paid off their mortgage over the last twelve months. Their total property wealth now stands at £3.02 trillion with older homeowners in all parts of Great Britain benefiting. Older homeowners in London have seen the biggest individual gains at £23,974 – an average of nearly £2,000 a month for the past year. In additional property trends, research by property purchasing specialist House Buyer Bureau has shown that while demand is high for retirement community homes across many areas of Britain, silver downsizers face fierce competition in securing one as stock levels are limited.

With gifting an increasingly prevalent use of funds, it's also worth noting that as of June the average monthly mortgage payment on a first-time buyer type property for someone taking out a five-year fixed, 85% LTV mortgage was £1,148 according to Rightmove data, with the average asking price for a first-time buyer type property (2 bedrooms and fewer properties) sitting at £226,399. The challenges for first-time buyers are perhaps best illustrated by rising intergenerational households - figures from the ONS revealed that the number of families in England and Wales with adult children living with their parents rose 13.6% between the 2011 Census and Census 2021 to nearly 3.8mn.

2. Customer Habits

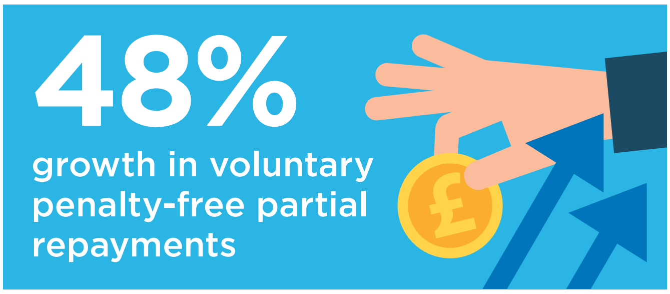
One in seven (14%) of high-net worth individuals, those with assets of £250,000 or more, have reduced their pension contributions within the past six months, whilst a further 14% plan to in the next six months, research from Saltus has revealed. The survey also suggested that high-net worth individuals are more likely to have recently cut their pension contributions, as this compared with only 9% of savers who have already reduced their contributions across the population as a whole. It comes at a time when analysis by Almond Financial has found UK workers on average, will face a £115,000 deficit in retirement income if they rely solely on pension contributions.

Around three quarters of landlord sales came from over-65s in 2022, according to data from lettings agents Hamptons. Landlords who bought soon after the launch of the first buy-to-let mortgage in 1996 are retiring in increasing numbers, and it's predominantly these older investors who are leaving the market. This figure is likely to continue rising over the coming years with around 96,000 landlords turning 65 each coming year across Great Britain. This is in addition to the almost one million landlords who are already over the age of 65. Among homeowners, UK households made "an unprecedented" £23.3bn of mortgage overpayments in 2022, or £64m per day, as mortgage rates spiked in the wake of the mini-Budget, says the Equity Release Council. The September fiscal statement "prompted those able to do so to make lump sum payments and reduce their loan sizes to limit interest rate costs," says the body in its Spring 2023 Market Report.

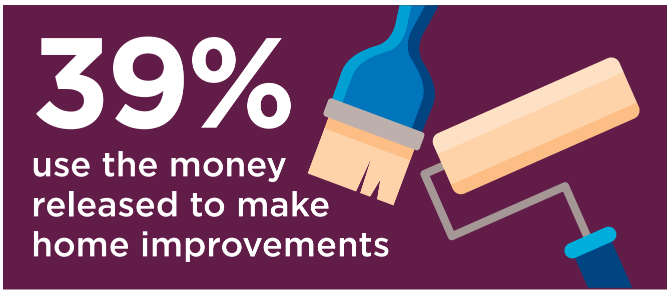


When it comes to existing equity release customers, around 75% of lifetime mortgage customers choose to let interest roll-up during the loan period, although repaying interest could boost inheritance in select cases. This is according to Responsible Life, who analysed not only the proportion of customers making repayments, but the likely effect that doing so would have on future inheritance provisions.

However, these figures come at a time when the Equity Release Council's Spring 2023 Market Report has revealed that the number of voluntary penalty-free partial repayments made by equity release customers grew by 48% in 2022. More than 90,000 equity release customers reduced their loans by £102m in 2022 by making 190,374 partial repayments throughout the year, 48% more than were made in 2021. By reducing their loans in this way, these customers stand to save a further £116m in future interest costs over the next 20 years, the report said.



Despite financial pressures being applied by the cost of living, spending on home improvements is the most popular use of equity release money, research from SunLife has revealed. More than a third of equity release customers (39%) have used the money released from their homes to improve the property, spending £11,100 on average. Around one in 20 people eligible to take out equity release have done so, while a further one in eight (15%) would consider it. Broken down by gender, the research shows women are most likely to spend money from a property on paying off a mortgage or debt, while men opt to make improvements to their home.



There is also an affluence-based divide when it comes to funds usage, with Standard Life Home Finance's research pointing out that among those who've either considered or proceeded with equity release around 29% of those whose income was over £60,000 per year would offer financial support to friends and family - this compared to 15% of those whose incomes are up to £20,000.

3. Market Trends

Equity release advisers are practically evenly split on market outlook this year, with the number of advisers who think the market will grow in 2023 almost equal to those who think it will shrink. [A survey conducted by Canada Life] in Q2 found that 40% of advisers in the sector think it will contract while 43% expect an expansion in business. Advisers were similarly divided in their opinion on whether the equity release market will enjoy the same level of activity generated before the final quarter of 2022.

Borrowers in the later life lending market need coordinated action by industry, government, and regulators to ensure higher retirement standards, [a report says]. The UK's £5trn housing wealth can help address major challenges facing the UK's ageing population — such as funding social care costs, aiding intergenerational wealth transfers, and retirement income shortfalls, says the study called Later Life Lending: Great Expectations. The report, commissioned by the Equity Release Council and written by About Consulting Group director Jon Dunckley, sets out 21 recommendations across four key areas – government policy, regulation, industry, and consumer education.

Issues surrounding customer understanding when it comes to equity release remain, [as research from SunLife] reveals misconceptions about equity release are still rife, with only 6% of over 50s knowing all the key facts. The study shows the least known fact is that most plans allow you to move home – just 24% knew this. Only 30% knew that equity release plans can include a 'no negative equity' guarantee (meaning your estate is never left in debt). However, it's worth noting that threequarters of those who have released equity say it's improved their overall happiness.

JUST 6%

of over 50s know the key facts about equity release

Total lending across the equity release sector reached £664m in Q2, making it the quietest quarter since Q3 2016 when £571m in lending was completed, and firmly underlining the challenges the market has faced since last autumn's mini-budget. [According to Q2 market figures from the Equity Release Council], lending between April and June was down 5% on the previous quarter when £699m was provided to borrowers. There were 17,028 new and returning customers served by the market in Q2. While the number of active customers fell 29% annually, this was up by 2% on the previous quarter. Some 6,682 new plans were taken out in Q2, which was 1% lower than Q1 and 46% down on the same period last year. There was a drop in the number of new borrowers from March to April, when the total fell from 2,384 to 2,004. Levels picked back up in May and June to 2,117 and 2,462 respectively.

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

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