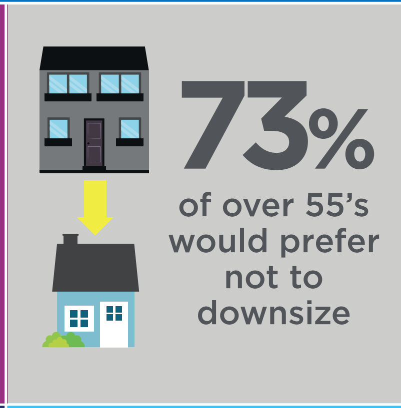
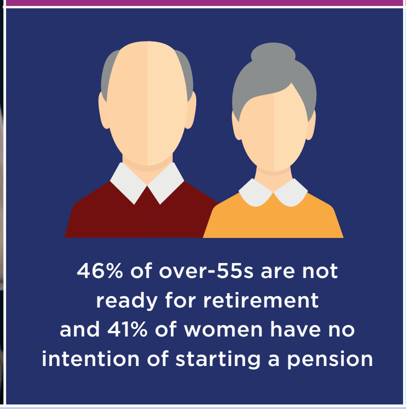
The Quarterly PureReport

Pure Retirement

Issue No.3 October 2019





Welcome to the latest edition of Pure Retirement's quarterly marketing report, which aims to collate relevant information from across the news cycle and compile it into an easily-accessible single-point resource that gives you an insight into trends and patterns which you may be able to use in developing your business.

We've divided our findings into three sections:

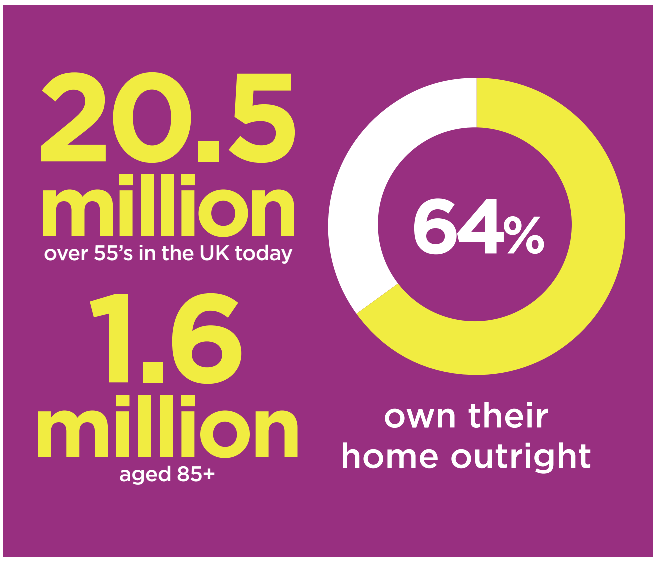
1. **Customer Demographics**
   Outlining general lifestyle patterns among retirees
2. **Customer Habits**
   Detailing retiree patterns when it comes to their affairs and finances and the way they interact with financial services
3. **Market Trends**
   Covering general patterns in the wider sector

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

1. Customer Demographics

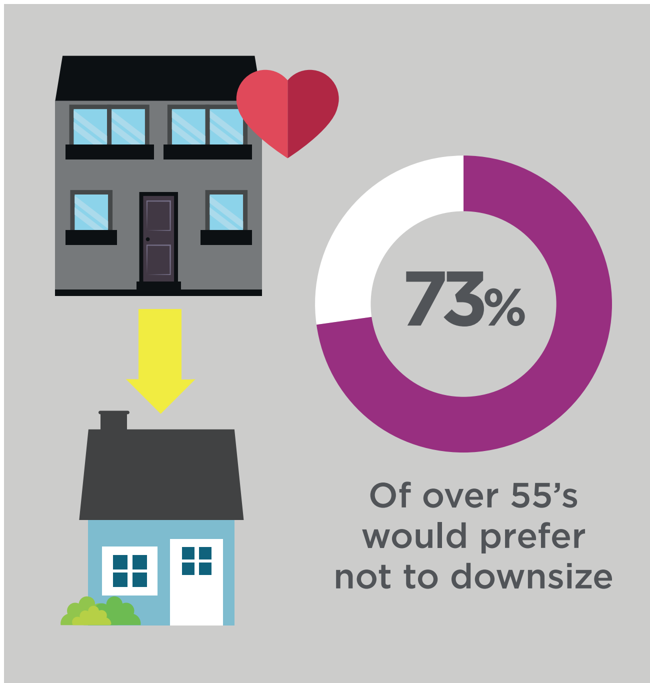
According to the latest report from the Equity Release Council, in mid-2019 there was an estimated 20.5m over-55s in the UK (with 1.6m of those 85 and over), with projections that 25% of people in the UK will be aged 65 or over by 2050.

In addition 64% of those who own their home outright (a proportion that's in excess of other age groups), with the national average age of outright homeowners currently standing at 67.7 years old, which roughly tallies with the typical age that customers are taking out equity release plans.



After more than two decades of continuous falls the Institute for Fiscal Studies has noted a rise in poverty among pensioners, with levels rising from 13% in 2011-2012 to 16% in 2017-2018. Their report also saw a 20% fall in private pensions over the same time period, and housing costs rising by 16% (representing a fivefold increase versus the preceding six year period).

Downsizing has continued to fall out of favour for over-55s, with 73% of those recently surveyed claiming that they'd prefer to stay where they currently resided. Part of the move away from downsizing may also sit with shifting family dynamics, with a 24% rise in young adults (those aged 20-34) living with their parents compared to 2008. Perhaps as a consequence, the current generation of retirees is increasingly recognising that the younger generations are in need of support, resulting in an estimated £8.5bn of inheritance wealth skipping a generation each year. Over half of those surveyed have passed family wealth they've received since turning 50 onto children and grandchildren, with over one in five specifically gifting those funds to help younger family members to buy their first home.

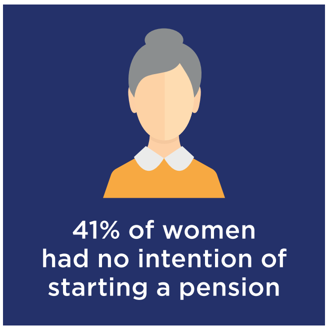


A desire to keep body and mind active, and enjoying their work, has seen nearly half of UK workers surveyed by pensions firm Aegon planning to continue working beyond the state pension age. In addition, British workers were intending to steer away from a full 'cliff edge' retirement, with 28% of Brits asked putting the national figure among the lowest of the 15 countries surveyed.

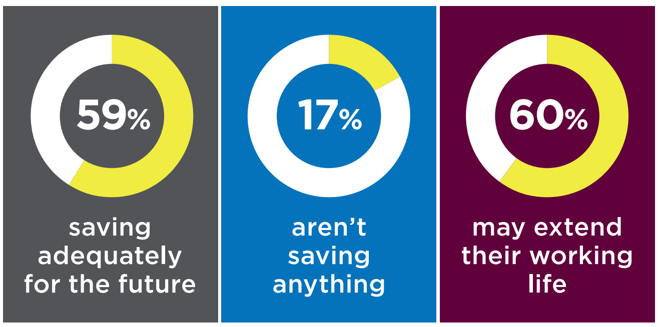
2. Customer Trends

There continues to be a disconnect between people's retirement expectations and their actual financial provision.

Recent research conducted by Close Brothers for its Financial Wellbeing Index highlights the fact that 46% of over-55s questioned do not feel ready for retirement, with 45% also ranking funding their retirement as one of their three main money-related concerns. Furthermore, research by Willis Owen has shown that a third of women don't have a pension plan, and of those who don't currently have a pension 41% had no intention of starting one.

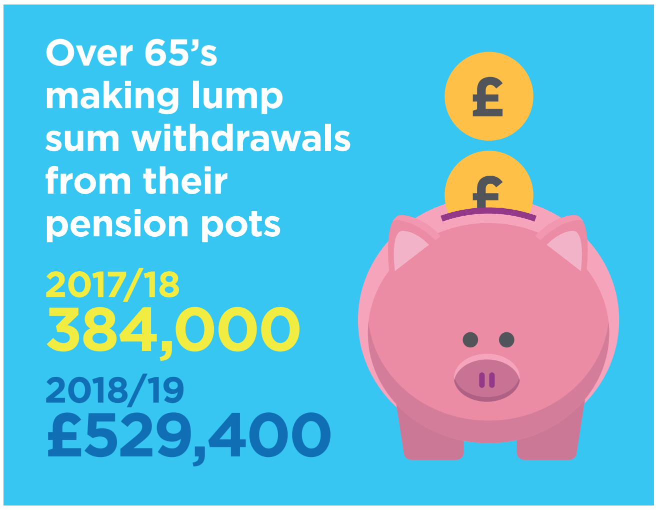


These figures come at a time when record levels of people are saving adequately (in part thanks to April's auto enrolment), with Scottish Widows' research indicating that 59% of Brits are now saving adequately for the future – though the research also comes with caveats that 17% aren't saving anything at all, and around a fifth of UK adults don't feel like they'll ever be able to retire. Of those still in work, research conducted by Aviva has shown that 60% are concerned about potentially having to extend their working life, due to the dual factors of having insufficient pension funds and a continuous rise in the state pension age. In addition, DWP figures highlight record levels of workers aged over 50 (totalling 10.6m), representing a rise of 32% over the past decade.



Following the introduction of pension freedoms in 2015, there have been record numbers of over-65s making lump sum withdrawals from their pension pots, with total numbers rising from 384,000 in June 2017/18 to 529,400 in 2018/19. This can perhaps be at least partially explained by the number of pension pots being raided in order to help family members onto the housing ladder, with research from L&G showing that around 9% of parents are drawing cash lump sums from pensions to help their offspring save for a house.

Of those who've already taken out equity release, there's been a rise in the number of women exploring the opportunities afforded by lifetime lending. The Equity Release Council's spring report shows that single women over 50 made up a quarter of new equity release plans, representing an increase of 50% compared to the previous year. Looking at the market as a whole the most popular uses of equity release are to clear residual mortgage debt, with over two in five - or 44% - using housing equity to do so, according to research from Canada Life.



Lastly, the value of broker advice has been underlined by recent research by OneFamily, which showed one in four customers are approaching advisers with a clear idea of the product they wanted, only for 55% of them to then change their mind on receiving financial advice. The research also highlighted a number of misconceptions customers have about equity release and how taking out a plan could affect them.

3. Market Trends

While the market has continued to grow amid ongoing political uncertainty, those external factors have also contributed to a slowdown compared to last year.

Recent research has shown that there was a 5.6% growth in the number of plans taken out compared to the year prior for the first six months of the year, with a 3% rise in the total amount lent. However, these figures pale in comparison to the 21% and 19% respective rises in the same metrics from 2017-2018, despite data from the latest Equity Release Council report highlighting current levels of returning drawdown and further advance usage showing a 13% and 14% increase respectively.

As the market continues to grow (and get more competitive as a result), interest rates have been falling. Age Partnership were able to offer a sub-3% product in August, and the market average has also dropped below 5% for the first time in its history.

The ERC's report also demonstrates how the market has evolved in terms of product offering, with the current total of 287 product options available to consumers, more than double the 126 available a year prior and a tenfold increase from the 27 products on the market in August 2014. There have also been major shifts in the numbers of products with enhanced features over the last twelve months, with a doubling (or near-doubling) in plans offering downsizing repayment options (63 in 2018 vs. 129 in 2019) drawdown facilities (47 vs. 88) and inheritance guarantees (51 vs. 96).

Homeowners in the West Midlands alone released £123m in the first half of the year, with average plan values exceeding £63,000, and the total number of plans sold showing a 20% year-on-year increase and total values lent increasing 19% over that same time period.

It's expected that the later life lending market will almost double in the next ten years as the next wave of retirees will retire with lower average savings and higher average debts than the current generation. In addition, recent rises in house prices have meant that even in current market conditions there's £382bn worth of equity available in older homeowner's properties, with over-50s homeowners seeing a collective increase of £2.5bn since July 2018.

Despite retirement planning driving adviser revenues, many advisers are still wary about advising on equity release, with 70% of those surveyed by LV admitting to feeling uncomfortable or unable to discuss equity release with their clients. In addition, advisers have been calling on the wider sector to work with them to increase understanding, with 75% of those questioned in recent research claiming the industry needed to provide more practical guidance on recognising vulnerable clients, and the actions to take in such circumstances. This is down from 88% last year, suggesting that the industry has made inroads to fill the knowledge gap (although there is clearly still a long way to go in advisers' minds).

Pure Retirement

Providing solutions for your future

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