Issue no.11 October 2021

Pure Retirement

The Quarterly Pure Report

17% increase year-on-year in the pension gender gap

£80bn quarter-on-quarter rise in housing equity

58% don't know the current size of their pension pot

94% of advisers have a positive outlook for the market

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

The gender gap when it comes to retirement provisions continues to offer startling figures, with a 17% increase year-on-year, amounting to a £26,673 increase in numerical terms. This takes the total discrepancy between over-55s men and women, once life expectancy has been taken into consideration, to £183,936. Men either have, or expect to have, £20,712 a year in retirement income, compared to just £14,964 for women, This means that women would need to work for 54.5 years to achieve the same levels of pension savings which a man can reach in just 40 years.

£183,936
discrepancy between men and women's pension pots

It comes at a time when women, according to Barnett Waddingham, are likely to be hit hardest as the government scrap the triple lock on the state pension, as they are twice as likely to rely on the benefit. Their research showed that 38% of women over 55 don't have any private or workplace pensions, vs 17% of men. Additionally, they are exposed to the risk of falling standards of living amid the financial shock of widowhood, according to analysis from LCP, with a potential 24% fall in their standards of living after bereavement, largely due to pension reforms. The retirement provision gender gap topic is such a prevalent point of discussion that FT Adviser have created an in-depth report on it, seeking to understand why the gap exists and how to mitigate against it.

Declining levels of wealth mean that half of over-50s (and 11% of over-60s) will likely still be in work, according to research by L&G and the Centre for Economics and Business Research. Britons aged 50-64 have had their share of national wealth shrink considerably over the last decade, declining from 42% to 36%. These demographic shifts in people working later in life represent a 36% rise over the past 20 years, with 8% of over-66s also remaining in work despite passing the state retirement age. While part of this is due to declining levels of wealth and a rise in the age that people can claim state pension, there are also factors around life expectancy and a willingness to work.

The latter point is proven by statistics from 55/Redefined and ProAge. Their research highlighted that a quarter of over-55s retired before they wanted to, with a third admitting to losing interest in their job due to a lack of development opportunities. Additionally, fewer than a third of employers were motivated to recruit workers aged 55-75.

Looking at upcoming retirees, the International Longevity Centre has found that self-employed workers born between 1965 and 1980 are five times more likely to have no pension provision. 44% of those surveyed admitted they struggled to save for retirement due to insecure earning, with 39% either spending their savings or struggling to save due to the pandemic. Future retirees are also expecting to use an inheritance to pad out their pension savings, with 43% surveyed by Fidelity International expecting to receive an inheritance or similar lifetime wealth gift, and 32% intending to direct these funds towards their savings or pension.

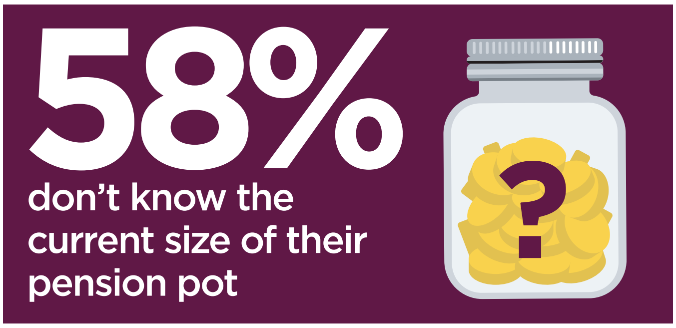
Looking at the property market, Canada Life's recent analysis has shown that total available housing equity in the UK stood at £729.8bn up to the end of Q2, representing an £80bn quarter-on-quarter rise. This is owing largely to rising house prices, which increased by an average of 7.6% on an annual basis in July, according to data from Halifax.

£729.8bn
total UK housing equity. £80bn quarter-on-quarter rise

2. Customer Habits

There's definitely a gap when it comes to knowledge about retirement funding and the amounts necessary to retire comfortably among the current generation of workers, with 58% of those surveyed by Penfold claiming they didn't know the current size of their pot. Additionally, 38% have no idea how much they'd need to retire comfortably, with 28% of 18-24 year-olds surveyed believing just £50,000 would suffice.

However, 39% of people were concerned about not having enough to retire on. This has also been highlighted by data from Hargreaves Lansdowne looking exclusively at over-55s, with 58% of their sample admitting to a lack of confidence about their ability to retire. Again, though, there was a marked lack of engagement in their retirement provision – 60% didn't know how their pension pots were performing, with 54% not knowing how much their pension was worth.



There is a predicted spike in the amount of borrowing being done by over-55s, according to joint research from more2life and Cebr, with an expected total increase of £10bn year-on-year (amounting to a rise from £226bn to £236bn). 76% of the overall debt level in 2021 is expected to come from those aged 55-64, who will borrow £180bn by the end of 2021, representing a £9bn year-on-year rise. This tallies with data from Knowledge bank, which points towards households – and especially homebuyers – being stretched to the limits amid rising house prices. Their search data highlighted maximum LTV searches being done by brokers not only in the equity release market, but also across self-build, bridging and commercial mortgage markets.

Wider property trends are also impacting equity release borrowing, with Equity Release Supermarket's analysis showing a 196% year-on-year increase in house purchases, and a 20% increase in the purchase of second homes. Gifting rose by 38% year-on-year, while holidays and car purchases understandably saw marked drops of 43% and 34% respectively. Interestingly, debt repayment shrunk by 27%, possibly due to the levels of overpayments seen in recent months on mortgages and other similar major debt sources.

ERS also found that parents were supporting adult children to the tune of £3,000 a year, with some having taken out second jobs, resumed work, or delayed retirement to meet this need. While a lot of discourse around parental support centres around large gifting such as house purchases, more everyday expenses such as food and household bills also feature. 36% admitted that supporting their children affected their own financial situation, with 66% claiming to have dipped into their savings pot and 15% using their credit card to provide this support.

When it comes to funding care, Canada Life's research suggests 37% of UK adults over the age of 60 plan to rely on the state pension to cover care costs, a 16% year-on-year rise. This is despite the UK state pension being the world's third-worst according to Investing Reviews data. Naturally, this means that people are looking to extra funding sources to bridge the gap, though figures point to just 8% considering equity release. LV= research, however, indicates that 61% would prefer to stay in their homes and pay for alterations rather than enter residential care. The data also points to 45% of those surveyed being willing to use a lifetime mortgage to fund accessibility alterations at home, fund a care worker, increase retirement income, cover home repairs, or financially support the family.

Nonetheless, there does appear to be both a knowledge gulf when it comes to equity release, allied to a negative perception, if figures from Boon Brokers are anything to go by. 57% of those surveyed were adamant they'd never take out an equity release product, yet 67% admitted to not being fully clear on what it is. 9% claimed they were worried about negative equity (underlining the lack of knowledge about no negative guarantees), while 22% were concerned about not owning their own home. Additionally, only 8% understood the difference between a lifetime mortgage and a home reversion plan.

3. Market Update

Confidence in the market remains high among advisers, with 94% of those questioned claiming to have a positive outlook for the market over the next year, compared to just 71% for the residential market. 54% of those questioned cited further product innovation from lenders as the leading factor that will be most beneficial to their equity release business over the next 12 months, with the development of mortgages that can become an equity release product at the customer's request being top of the list. Growing consumer awareness of the sector and greater support from lenders are also all key factors advisers believe to be positive factors going forward.

94% of advisers have a positive outlook for the market

The market itself has indeed demonstrated ongoing product development, according to figures from the Equity Release Council. 68% of products now allow for early repayment charge-free voluntary capital repayments (up from 54% last year), while 89% offer fixed ERCs, up from 56% just six months prior.

Additional figures from the ERC have shown a 19% year-on-year increase in borrowing for Q3 compared to 2020, totalling £1.15bn and meaning that the market has since had four successive quarters where total lending exceeded £1bn. The average amounts borrowed on lump sum plans have fallen from over £129,500 in Q2 to £121,400 in Q3, highlighting the effect that the stamp duty holiday has had on customers – though interestingly average drawdown plan amounts have stayed static.

H1 customer numbers dropped slightly compared to H2 of last year, but nonetheless were still higher than H1 in both 2019 and 2020. In line with rising house prices, average amounts being released have also increased – lump sum average amounts sit around £11,000 higher than at the same point last year. The Council's David Burrowes put some of the latest results down to the stamp duty holiday, as people sought to give relatives a living inheritance and help them onto the property ladder.

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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