Issue No.15 November 2022

Pure Retirement

The Quarterly Pure Report

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

£63,752
average saving when downsizing property

1.468m
over-65s still working

58%
of over-40s believe they have not saved enough money for retirement

47.4%
increase in the amount of equity released since the pandemic

We've divided our findings into three sections:

1 Customer Demographics
Outlining general lifestyle patterns among retirees

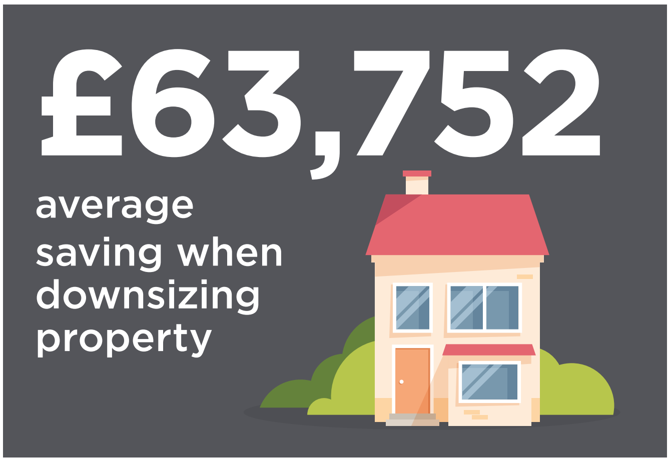
2 Customer Trends
Detailing retiree patterns when it comes to their affairs and finances and the way they interact with financial services

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

Between 2011 and 2021, the number of privately renting tenants aged 55 to 64 more than doubled, according to Paragon Bank, while renters aged between 45 and 54 increased by half. Among homeowners, more than half of people over the age of 55 are actively considering downsizing and plan to save £63,752 on average by doing so, research indicates. Of those planning to move to a smaller home, 43% said they would use the money to support their lifestyle, 41% said they'd spend it on holidays and 39% said the money would go towards home improvements.



Additionally, over-55s are sitting on net property wealth of £4.4tn, turbo-charged by a pandemic windfall that added almost £1bn a day to their house prices, estimates Just Group. It follows on from additional market research which has highlighted that older homeowners have seen an extra added £10,121 to the price of each property on average, as property values surged month after month. Older homeowners in London have seen the values of their homes rise by £16,000, with properties in the capital owned by this age bracket worth a combined £499.18bn.

Property remains at the forefront of the minds of those taking out equity release too, with the number of Hodge 50+ customers who are using mortgage funds to buy a new property doubling in five years, according to data from the lender released prior to the government's mini budget. The research shows that 26% of 50+ mortgage customers now use the funds for purchase, compared with just 13% five years ago. Home improvements are also on the up, remaining one of Hodge's top three reasons for borrowing for the last three consecutive years.

Nearly half of retired households in the lowest income group are made up of women living alone, official figures have shown. Splitting households into five groups by annual income showed that single women made up 49 per cent of the 1.7mn households in the bottom group where gross annual income was £12,706.

The pandemic and the increased attention on personal finance matters has boosted the financial confidence of UK women, according to research by SmartPurse, which found that when women self-rated their financial health each year the average score increased from 4.8 out of 10 pre-Covid to 5.2 out of 10 post-Covid. Author of the report and co-founder of SmartPurse, Olga Miler, said despite this improvement, significant gaps in knowledge remain, preventing many women from building secure financial futures.

A record number of over-65s are still employed, highlighting the "biting reality" faced by those who simply cannot afford to give up work, with the number of people aged 65 and over in employment increasing by a record 173,000, to 1.468mn, according to quarterly Office for National Statistics data. Separate research by Rest Less, an online community for the over-50s, confirmed the findings, stating that 32 per cent had returned to work or would consider doing so. Many welcomed the idea of returning to work for several reasons, with 32 per cent wanting more mental and social stimulation, while 12 per cent were struggling financially due to the rising cost of living.

2. Customer Trends

Almost one in 10 people (7 per cent) are planning to reduce workplace pension contributions as the cost of living crisis continues to escalate, according to research from Barnett Waddingham. Inflation, and the rising costs of food, fuel and other essentials, is resulting in some 1.05mn people looking to cut back on their pensions. More than a quarter (26 per cent) have dipped into their savings to cope with rising prices, while many are having to sacrifice long-term financial ambitions. This is especially true of those aged over-55 (29 per cent), and truer for women than men (28 per cent vs 25 per cent).

Reducing pension contributions during the cost-of-living crisis could have "hidden risks" for savers, LCP has said, suggesting that using pensions to help with short-term spending pressures should be "an absolute last resort". The consultancy warned that, as energy bills increase, growing numbers of over-55-year-olds may be thinking of tapping into their pension savings to tide them over.

It comes at a time when less than half (43.1 per cent) of baby boomer households aged below 65 are meeting the PLSA's target for a moderate retirement income, according to research from Hargreaves Lansdown. The survey from the Hargreaves Lansdown Savings and Resilience Barometer found that whilst the majority of baby boomer households are not meeting PLSA's requirements, they are doing better than UK average of 42.6 per cent.

Nonetheless, nearly a third (31 per cent) of people below state pension age expect it to be their main source of income when they retire, despite more than half of savers stating that this won't be enough for a comfortable retirement, research by Royal London has revealed. The research, which included a survey of 4,000 people, found that nearly four in ten (39 per cent) of those aged 55 or over expect the state pension to be their primary source of income in retirement.

This comes despite the average retired couple having a pension income of £284 per week and the latest analysis by Standard Life revealing that those who are approaching retirement today will need to have amassed £267,000 in retirement savings if they have a similar weekly income target in mind. However, Standard Life warned that this would only buy a level annuity, which would not maintain purchasing power for future years.

abrdn research has also highlighted more than half (54%) of UK adults aged 40 years and over are anxious about retiring, with the 40-44 age group reportedly the most anxious (61%), despite being further away from retirement age. The research unveiled both emotional and financial drivers behind this growing trend, with the majority experiencing retirement anxiety (58%) attributing it to not having saved enough money throughout their lifetime.

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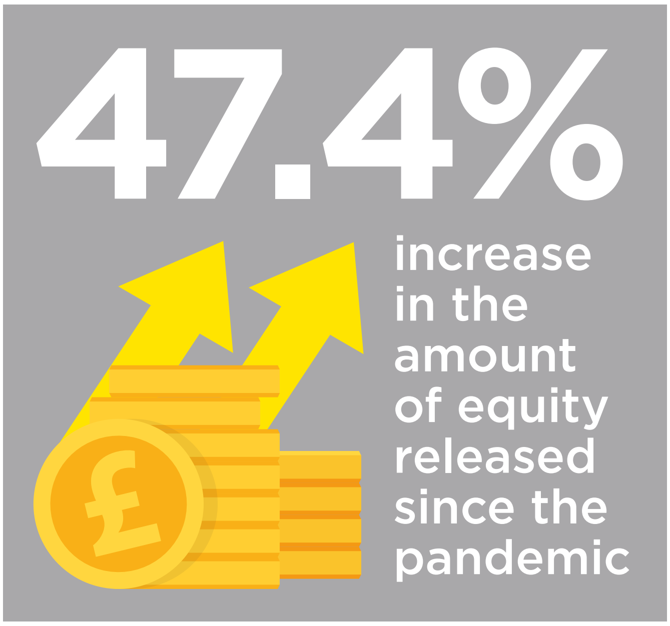
of over-40s believe they have not saved enough money for retirement

Among existing equity release customers, one in four grandparents have helped or are going to help their grandchildren become first-time buyers, according to a survey by Aviva. The findings also reveal that property wealth is progressively being seen as a usable asset for today rather than a legacy investment. Aviva's 2022 survey shows that the typical amount given to grandchildren is now £31,398.63, an increase of 25 per cent from the 2016 findings.

Some 35 per cent of retirees have given money to their family or friends in the past six months, according to LV's most recent Wealth and Wellbeing Monitor. The quarterly survey showed that of the 4mn retirees that gifted family and friends, the main reason was to help with day-to-day costs and bills, and that on average, those helping their grandchildren gave £15,000 while the average amount given by all adults sat at £8,400.

3. Market Update

Analysis by mortgage broker Henry Dannell has shown that since the start of the pandemic, the level of equity being released by over-55s from their homes has climbed by 47 per cent, with the average loan to value up six per cent, despite an increase in the average value of the average home releasing equity. The research shows that in 2019 prior to the pandemic, the average over-55 released equity to the tune of £75,631. In 2022, this sum has increased to £111,511, a 47.4 per cent increase.



Additionally, our own research has shown a marked uptick of those in higher-value property bands exploring equity release as it becomes an increasingly mainstream retirement planning tool. We found that between 2018 and 2021, there was a 500 per cent increase in the proportion of business coming from those with higher valued properties, with a 60 per cent jump between 2020 and 2021 alone. Looking at new plans agreed by property value, the average value of properties within the top 10 per cent of cases had jumped from £897,000 in 2018 to £1.78m last year, and the amounts being borrowed by these clients also increased sharply, by 74 per cent over the same period, reaching £507,621.

Around seven in ten older homeowners are not aware of equity release safeguards, which were established by the Equity Release Council to provide a level of reassurance and protection, according to research from Age Partnership. The survey asked if the respondents know what the 'no negative equity guarantee' means in the context of equity release, with 71% answering that they didn't.

Throughout Q3, the equity release market continued to see growth, though with a degree of slowdown in September in line with wider instability and uncertainty, according to the latest Equity Release Council statistics. A total of 13,452 new plans were taken out between July and September, up from 12,485 in Q2 (a quarterly increase of 8%) and from 10,023 a year ago (an annual rise of 34%), with the total number of new customers surpassing the previous record of 12,891 set in Q4 2018. All three summer months in Q3 saw relatively stable lending, but August was the busiest, with 4,794 new loans agreed, edging out July's 4,515 and September's 4,319. This makes August the busiest month of the year so far, surpassing March's previous record total of 4,560 new plans.

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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