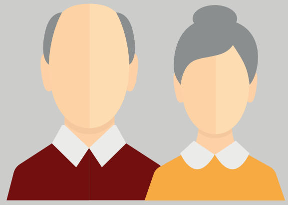
The Quarterly PureReport

Pure Retirement

Issue No.4 February 2020

AGE OF DIVORCE INCREASING BY 5.5 YEARS



Only 29% of men and 18% of women have financial plans for their futures

A new product appearing every 48 hours throughout the year

4 million
over 65's living alone

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

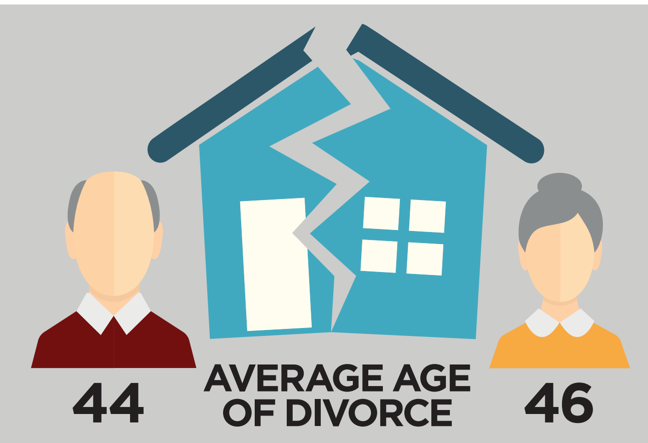
We hope you'll find this useful and welcome any feedback on things you'd like to see included going forward.

1. Customer Demographics

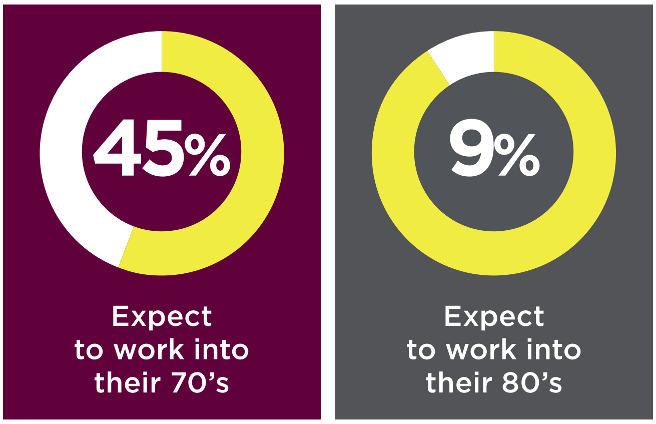
There is a growing number of over-65s living alone with current projections suggesting that within three years, for the first time on record, the total number will outstrip the number of those under 65 residing in single-occupancy residences.

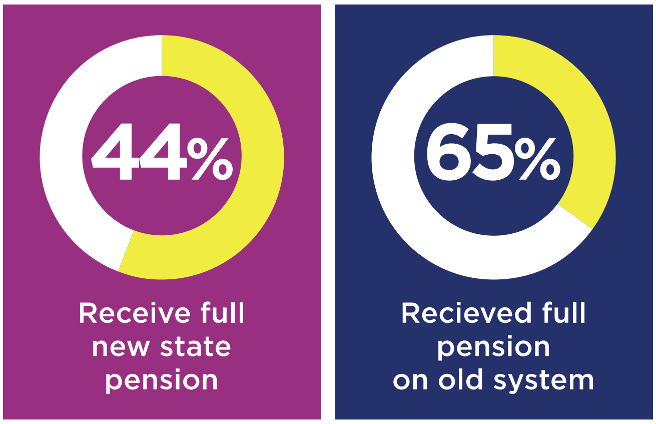
The projections suggest that four million over-65s will be living alone by 2020 with the age group subsequently making up half of single-person households by 2022, due to key drivers such as divorce, increased lifespans and the passing of a partner.

Those key drivers tally with rising levels of divorce among the over-65s, with ERC figures highlighting that since 1999 the average age of divorce has increased by 5.5 years for both men and women (to 44 and 46 years respectively). This in turn has driven changes within the wider market, which has been witnessing a rise in the number of single life equity release plans.



There have also been shifts in the relationship between those in later life and working, with an emerging 'no desire to retire' demographic equating to 45% of those questioned in a recent survey expecting to still be working in their 70s, with 9% expecting to be working in their 80s and beyond. Perhaps surprisingly those with a combined household of income of over £50,000 are slightly more likely to work into their retirement than those from households with a combined income of under £50,000.





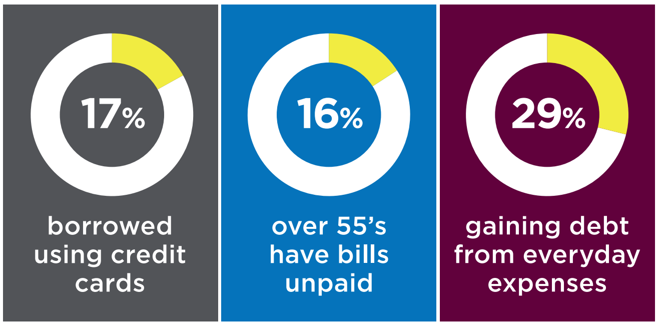
Some of these trends may be attributable to fewer people receiving the full amount of the new state pension than they did under the old system, according to caseload figures released recently. Of the 1.1m who receive the new state pension, only 44% receive the full amount (compared to 65% under the old system). Depending on households' specific circumstances, it's not unrealistic to expect that other supplementary income streams – such as equity release – may be explored.

2. Customer Trends

The overarching themes relating to consumers' finances continue to show a generation increasingly struggling to make ends meet, turning instead to debt in order to continue meeting everyday living expenses.

Recent figures highlight the extent of the problem, with the proportion of over-55s who've been in debt and borrowed using credit cards over the last five years has shown a 17% year-on-year increase between 2018 and 2019. More than half of over-55s who are in debt have borrowed using a credit card (representing 22% of all over-55s in the UK), and nearly a third of this age group borrow to cover everyday living expenses.

That same set of figures also highlight the fact that the proportion of over-55s leaving bills unpaid has doubled year-on-year, rising to 16% in 2019. It's a concerning statistic when allied to the fact that 29% of this particular age group list covering everyday expenses as the main reason they've found themselves accumulating debt.



It's also been evidenced that more than a third of over-55s are currently living beyond their means, with 35% of those questioned in a recent survey claiming that their expenditure outstripped their income – in turn, 68% of these individuals admit to having to resort to raiding their savings to make up the shortfall. Further proof of the levels of financial insecurity currently being felt by this age group is highlighted by the fact that 25% of those questioned feel that the increased cost of living would push them into the red this year, with almost half of those who took part in the research claiming they don't have enough cash savings to cover an unexpected £5,000 bill.

It could be argued that these figures are symptomatic of a wider pattern among consumers of insufficient levels of retirement planning, with a recent study claiming that 77% (equating to 40m) of Brits are gambling with their retirement. Despite 55% of those questioned doubting they'll be able to save enough money to retire when they want to, only 12% of those under 55 have a set target for their pension pot and people are four times more likely to know their lottery numbers than their pension pot target. In addition, just 12% of under-55% have a target for their pension pot, with those aged 45-55 under particular risk as only 18% have set retirement goals.

That same data set also flags a chasm between men and women when it comes to their financial planning, with just 18% of women having set a financial target, compared to 29% of men. This tallies with recent Equity Release Council figures, which showed that double the number of single women taking out equity release plans in H1 2019 compared to their male counterparts. On the topic of existing borrowers, Canada Life's research shows that 49% of equity release customers in Q3 2019 used the funds to pay off existing mortgage debt, a 14% year-on-year rise, with other main uses including home improvements.

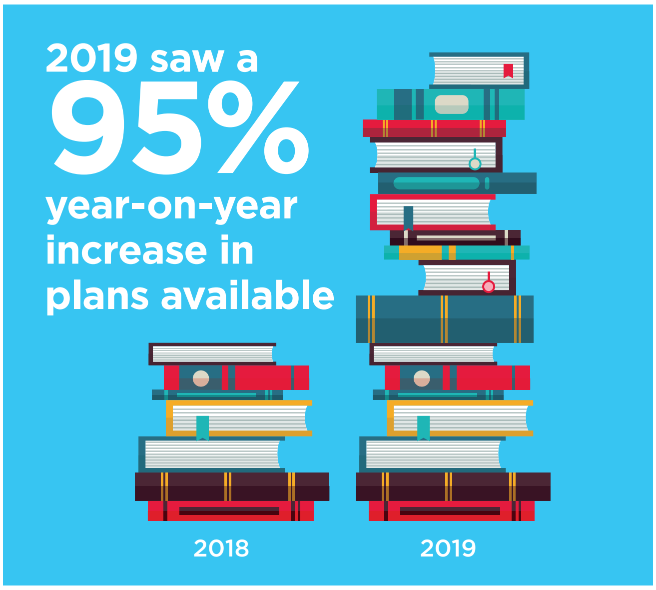
While the general trend points towards customers not investing enough time in planning for their future at the very least many will have a will in place, and of those who have 28% shun their family in their will for a variety of reasons including family tensions and a desire to see relatives make it for themselves. This in turn presents an opportunity for the wider equity release market as those who may have previously been reluctant to release housing equity due to the effect it may have on inheritance options may instead choose to access their funds during their own lifetime.

3. Market Trends

Q3 of 2019 was the busiest of the year, seeing an 8% quarter-on-quarter rise in total lending amounts (with the final tally sitting at £988m), and a 6% increase in new customers totalling 11,419 borrowers.

It took the total number of people accessing their property wealth between Q1-Q3 2019 to over 33,000 and an average of £11m a day being unlocked by over-55 homeowners in the UK.

The market growth will have undoubtedly been helped by ongoing product development and innovation, amid a period which saw a record low rate of 2.68% being offered. In addition, as the market has grown plans have become more flexible and more feature-laden – not to mention there's also been an increase in the sheer numbers available to consumers. 2019 saw a 95% year-on-year increase in plans available, a rise from 161 to 314 and the equivalent of a new product appearing every 48 hours throughout the year. The rise in the numbers of plans have also seen year-on-year increases in several key features, including downsizing protection (which saw a 103% change) interest payments (710%) lending on age-restricted properties 241%) and one-off repayments (77%).



Late in 2019 the FCA conducted an investigation into the later life lending sector as it sought to better understand this growing and emerging sector, and to look at ways to continue safeguarding customers. The sector welcomed the opportunity to share insight and to share best practice and has actively worked with the investigation in order to help the FCA to achieve its stated aim "to gain their insights into how the market currently functions and is likely to evolve over the next two to five years".

With the market having held its own amid difficult trading conditions thanks to political and economic uncertainty advisers are bullish about its potential in 2020, with over half of those questioned in a recent study predicting the amount lent will reach between £5-6bn

Pure Retirement

Providing solutions for your future

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