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Pure Retirement

The Quarterly Pure Report

£10bn
rise in housing equity from last quarter

40%
can't pay extra for gas and electric

36%
worried about rising bills

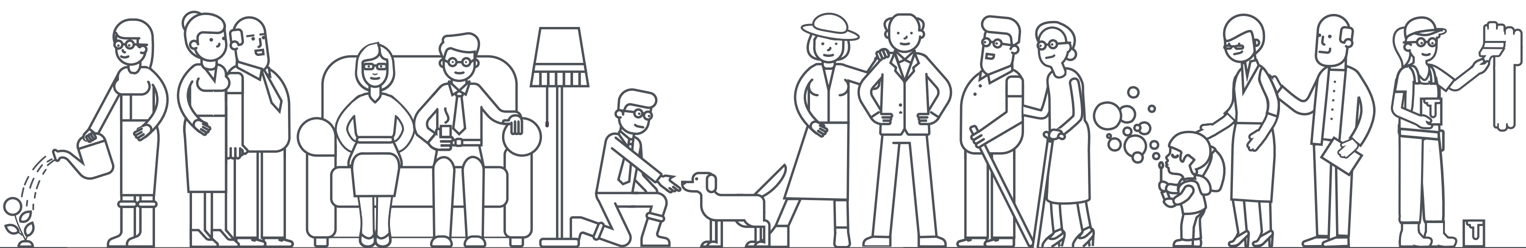
67%
don't know how equity release works

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 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

The ongoing house prices are continuing to leave the current generation of over-55s with rapidly-growing levels of equity available to access. According to data from Halifax released in November, prices rose 2.3% quarterly, and 8.1% year-on-year. Wales remained the strongest performing area with 12.9% annual growth, while in England the North West led the way with a 12.4% annual rise.

This has unsurprisingly contributed to rising levels of equity available to release, with Canada Life's figures from November showing a 10bn quarter-on-quarter increase and sending the national total to over 740bn. The Southeast could boast over 143bn of available equity thanks to an average house price of over £300,000, while the largest growth areas were Scotland, the East Midlands, and East Anglia.

£740bn

total UK housing equity. £10bn quarter-on-quarter rise

There has been movement in the demographic profile of lifetime mortgage customers, with Responsible Life's data showing the average home value of borrowers as just under £540,000 – an increase of over £84,000 in 12 months, and a 31% increase on the average value seen in 2019. While some of this can be attributed to rising house prices, it's also a sign of the shifting perceptions of lifetime mortgages as a retirement planning tool and its rising appeal among owners of high-value properties.

Rising house prices are also contributing to changing attitudes towards living inheritances, with 45% of surveyed over-55s believing that making family members wait for inheritance is wrong. This comes amid a background of 41% of under-40s admitting to having given up getting on the property ladder without family help.

However, while property prices have been rising and creating a potential retirement funding avenue for many, on the flipside there's a considerable cost of living squeeze. Rampant inflation has seen many expressing concerns about what this could mean for pensioners, with Baroness Ros Altmann warning that the rising rates will leave even more pensioners in "desperate straits as they try to pay their basic bills during the coming months".

This comes amid the ongoing effects of the pandemic, which continues to affect the retirement plans of many. Data from OneFamily has shown that on average, over-50s will push back their retirement by four years to offset the pandemic's financial effects, with 12% expecting to retire seven years later than originally planned. Additionally, savings have taken a hit for many, with 36% claiming to have lost money over the course of the pandemic and savings dropping by £2,000 on average.

The cost of living squeeze was highlighted by research from Equity Release Supermarket, which showed that 40% of Brits felt they were unable to spend any more money for their gas and electricity this winter, with 46% admitting to keeping radiators turned off for as long as possible and 70% choosing layering up with a jumper over turning on the heating.

40%

struggling to pay any more for gas and electricity this winter

These factors could explain a move to younger clients seeking equity release, with additional data from Equity Release Supermarket highlighting that they're seeing greater interest from the 55-59 age group than those 75-79, with those aged 60-64 accounting for 25% of clients. ERS has put this down to a growing need to pay maturing interest-only mortgages.

2. Customer Habits

The pandemic has naturally continued to impact the way people have been interacting with their finances. Towards the end of the year, one key point of concern was whether the end of the furlough scheme (and potential knock-on trends regarding unemployment) were going to impact pensions and wider retirement saving. However, it should be noted that very few people opted out of their workplace pension during the course of the pandemic – if anything, the already low opt-out rates fell even further.

There have been growing concerns among working adults about their ability to prepare for later life, with 38% of those surveyed by Fidelity International admitting to their lack of confidence about their financial preparations for their later years. 25% claimed to have spent more than they could afford over the preceding six months, with 36% claiming to feel stressed about meeting immediate financial needs such as food, mortgages or rent, and utilities.

36%

worried about rising bills for food, rent and utilities

Nerdwallet's figures present an even more challenging picture among the over-55s, with 75% of pension holders surveyed stating that they do not feel confident enough about their pensions to sort out their retirement planning without seeking advice from a professional. Additionally, the survey also showed that 11% of those age 55 and over have removed money from their workplace or personal pension into a savings account or cash ISA, while 9% had removed money from their pension to invest it into a stocks and shares ISA. Nonetheless, only 16% have sought retirement-focused financial advice and just 14% have used the government's Pension Wise service.

This might explain the research that points to 6% of UK workers – equivalent to one million people – believing they will never retire, with Canada Life's figures also pointing towards 44% of respondents believing they will work beyond state pension age, and 43% believing their pension would be insufficient to retire fully. It comes at a time when homeowners in 53% of areas in England and Wales could access more via equity release than they could via the average pension pot. This has been helped through the house price rises, which have allowed homeowners to access £5,000 more on average compared to 2020, and £14,000 more than five years ago.

43%

believe their pension is not sufficient to retire fully

Among existing equity release customers, recent data suggests key reasons in applicants electing not to involve their families boils down to: not wanting to worry them, not wanting them involved in day-to-day financial decisions, being too proud to tell their families they are struggling financially, and fearing they'd be talked out of their decision.

However, there does appear to be ongoing issues surrounding customer confidence and comprehension when it comes to later life lending, with an estimated 67% of homeowners over 55 admitting they're not confident about what equity release is or how it works. Yet while 18% have been put off equity release owing to horror stories, 43% of surveyed over-55 homeowners have said they'd consider an equity release product on their property.

67%

admit they're not confident about how equity release works

3. Market Trends

The sector saw a positive end to the year, with Q4 figures from the Equity Release Council showing a 24% year-on-year increase for the quarter in terms of total lending amounts. The number of new customers for Q4 also increased compared to Q3, and whole-of-year figures represented a 4% growth compared to 2020.

This could be due to falling interest rates, with analysis from Responsible Life showing that lifetime mortgage customers have netted an average 41% interest rate cut over the last five years. The average 2020 interest rate was 3.40%, compared to 5.79% in 2015, and a 20% reduction from the 2019 market average of 4.17%.

While the press cycle has often spoken about lifetime mortgage rebroking , the figures that surfaced towards the end of last year suggest that public appetite in it has fallen, with only 331 instances being recorded. According to Responsible Life's data, rebroking slumped by a third year-on-year, though it has also risen 44% since 2019 as brokers have sought to take advantage of falling interest rates to explore better deals for their clients.

Family disapproval when it comes to equity release continues to be a barrier, with 12% of those being surveyed by Boon Brokers admitting that they'd been put off by the thought of their family's views. Interestingly, there was also regional variation - those in Scotland were most worried, while those in the South West were least worried. Nonetheless, advisers still believe in the inherent benefits of involving family members in the process, with 75% of advisers questioned in recent research claiming they felt it important to have familial involvement, compared to 20% who said it depended on the complexity of the case and just 4% who felt it wasn't important at all.

As part of their commitment to developing and evolving the sector, the Equity Release Council will be looking at post-completion customer communication over the course of the year via the setting up of working groups. The ERC's CEO Jim Boyd has acknowledged that 'It is important that communication between customers, advisers and lifetime mortgage providers continues after the initial completion of the mortgage.'

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

Pure Retirement

Pure Retirement Limited, 3175 Century Way,
Thorpe Park, Leeds, LS15 8ZB

www.pureretirement.co.uk