Issue No.16 February 2023

Pure Retirement

The Quarterly Pure Report

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

31% say they will work well past the state pension age

44% of self-employed workers are not contributing to a pension

46% of savers are confident they have saved enough for retirement

93,421 new and returning customers released equity in 2022

We've divided our findings into three sections:

1 Customer Demographics
Outlining general lifestyle patterns among retirees

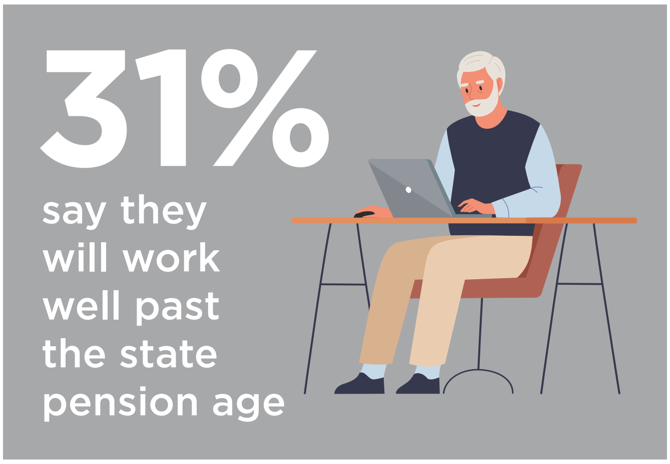
2 Customer Habits
Detailing retiree patterns when it comes to their affairs and finances and the way they interact with financial services

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

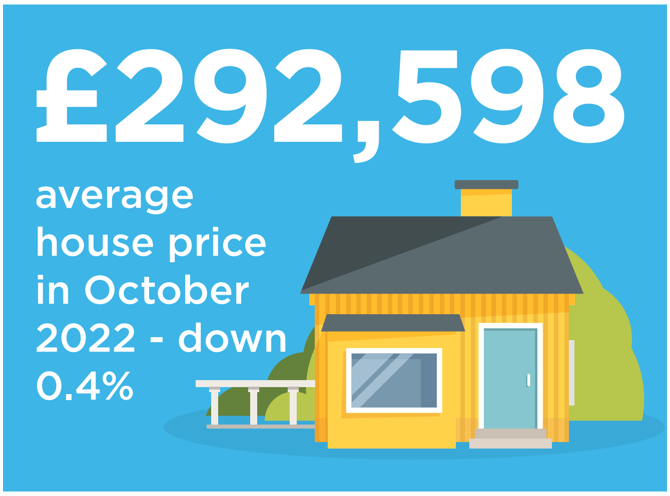
Working patterns among over-50s are changing, including growing numbers of workers over 50 taking on jobs in the UK's pubs, restaurants and hotels to boost their retirement income as the sector's labour shortage and rising cost of living prompts a shift in its workforce. It comes when hybrid working is changing people's retirement habits, with research from M&G Wealth highlighting that almost 1 in 3 (31%) of those surveyed believe that flexible and hybrid working means that people will now continue working well past the state pension age. 11% say that they will now continue to work full time or part time past the age of retirement 'because they don't need to go into the workplace as often'.



Recent inflation has sparked fears of pension inequality between public and private sector pensions, with public service pensions due to rise by 10.1% in April. Private company pension savings that offer no protection against inflation have been devalued by rocketing prices and struggling stock markets. Additional differences among demographics when it comes to retirement have also been highlighted by research that has shown that more than half (59%) of black people are worried about not having enough money in retirement, compared to 49% of Indian people and 53% of white people. One in four people from the black community also has no personal or workplace pension set up compared to 36% of white savers. Instead of a private pension, black savers are more likely to use cash savings for their retirement.

The cost of living crisis has also impacted the gender gap in retirement, as women are expected to reach retirement with an average of just 74% of the wealth accumulated by men, a global study from WTW has found. In the UK, the average woman at retirement has a wealth level of 71% the size of the average man's. However, women are set for "pension saving parity" with men by 2028, analysis of a freedom of information (FOI) request by Broadstone has found. Eligible female pension savers have experienced an increase in annual saving rates nearly three times as fast as men since 2009. On an annual basis, savings for men had a compound annual growth rate (CAGR) of 1.8%, while savings CAGR was 4.6% for women.

The number of property owner-occupiers aged 65 plus increased in the decade to 2021, according to the latest government English Housing Survey. The study says that in 2010 to 2011, 76% of those aged 65 and over were owner occupiers and by 2020 to 2021, this had increased to 80%, the majority of whom are outright owners. The back end of 2022 also saw drops in average house prices for successive months, including them falling at their sharpest level for over 18 months in October, slipping by 0.4% to £292,598 according to Halifax's latest house price index.



Looking at the wider picture when it comes to home ownership (which would likely directly affect the relationship between equity release and gifting), more than a million Britons under 45 may rule themselves out of the first-time buyer market, due to financial pressure caused by the cost-of-living crisis, according to a survey from Aviva. The report, focused on those who have never owned a property, says that 46% of this group were not currently house hunting, but intend to in the future.

2. Customer Habits

Only 16% of UK employees are confident that the amount they are currently saving is sufficient for retirement, while 40% of workers have little or no idea how much they need to save for retirement, according to research from Royal London. Additionally, a further 46% of savers are “fairly confident”, while a "significant proportion" (37%) are not confident.

46%

of savers are confident they have saved enough for retirement

It comes at a time when the cost of living is having a direct impact on people’s saving patterns, with a quarter (25%) of adults having stopped or planning to stop contributing to their workplace pensions to keep up with the rising cost of living, according to research from Charles Stanley, prompting concern that the rising cost of living could undermine consumer wellbeing. This becomes especially prevalent among self-employed workers, who are nearly three times more likely to not pay into pension funds compared with employees, research from pension provider iSIPP shows. This found that 44% of self-employed workers are putting their retirement at risk by not contributing to a pension compared with 15% of employees.

44%

of self-employed workers are not contributing to a pension

Worrying patterns have also emerged surrounding the early access of pensions, with research from Just Group highlighting that during the first six months of 2022, 148,000 people aged 55 and over took their first ‘flexible payment’ from a pension, opening them up to complex rules to curb tax relief on future pension contributions. (A ‘flexible payment’ means that people accessed a pension worth more than £10,000 for the first time, and took more than the 25% tax-free lump sum allowance under pension freedom rules).

The effects of the pandemic have begun to hit people’s retirement goals, with research from Royal London finding that three in ten (30%) people over 55 are changing their retirement plans due to the current cost of living crisis, and the majority (71%) said they are yet to achieve their life goals with money being the biggest barrier (40%).

30%

of over-55s are changing their retirement plans

The changing habits of borrowers has significantly contributed to the rise of gifting, with a survey of 200 advice firms revealing that 91% had clients who already gifted or were planning to gift cash to their children or grandchildren while they were still alive. Two-thirds of advisers said they would need to challenge their client’s intentions of giving a living inheritance. Almost two-thirds said it was because gifting cash could leave their clients short of income in later life, while 52% said clients did not have enough to give away. More than a third (37%) said their clients had not considered care costs in later life.

3. Market Update

The effects of the mini-budget and attendant cost of living crisis undoubtedly hit the market at the back end of the year, with widespread rate rises being seen across the later life lending sector. At one point, the lowest rate available on an equity release loan was 6.87% – up from 4.44% in one week, according to financial data analyst Defaqto, an unprecedented increase of 2.43 percentage points. As a result, someone taking out a new £50,000 loan at the higher rates would attract nearly £20,000 in extra interest over just 10 years, Defaqto's Katie Brain calculated.

Nonetheless, by the start of December rates were coming down, with products – including our own Classic range – beginning to fall back below 6% for the first time since the mini-budget. Analysis by Moneyfacts just before the end of the year suggested that while rates had started to come down from the highs seen during the mini-budget, they would still take time to stabilise and borrowers looking at higher loan to value (LTV) tiers may struggle as lenders look to minimise risk to falling house prices.

Even amid a backdrop that some might describe as challenging, introducers remain optimistic, with research indicating that 41% of them expect the equity release market to grow in the next one to three years, with even greater growth expected in the longer term.

The gender gap when it comes to retirement planning continues to be pronounced, with research by Standard Life suggesting that women who may have prioritised repaying their mortgage over their working life, rather than building up pension assets, are more likely to look to equity release to maintain their homes or provide this income in older age. It also highlighted that women are less likely to have had interactions with financial advisers, (30% vs 24%), but that they are almost twice as likely as men to feel relieved when they receive the proceeds of equity release (60% vs. 33%).

The whole-of-year figures from the Equity Release Council acknowledge that activity dipped in Q4 as market disruption, following September's 'mini-Budget' prompted rate rises, reduced product availability and shook consumer confidence. However, they also highlight the strong start to 2022, as the year saw record activity with 93,421 new and returning customers choosing to access their property wealth via equity release products, up 23% year-on-year – the highest rate of growth since 2018.

93,421

new and returning customers released equity in 2022

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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