Equity Release Council

Beyond bricks and mortar:

the changing role of property in later life financial plans

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Foreword

We need to talk about property ...

As a nation, we have a close and sometimes complex relationship with our homes. Homeownership has long held an enduring attraction for many UK adults[1], despite recent social and intergenerational pressures arising from factors including population growth. Investing in property has also consistently been seen as second only to paying into an employer pension scheme as the safest way to save for retirement[2].

Ownership of property provides millions of people with a place to call home and also makes a significant contribution to their personal finances. This is particularly true in later life: our analysis shows that property assets make up 35p in every £1 of household wealth overall, increasing to 40p among the over-65s and 47p among the over-75s.

Social and financial trends mean that older age groups have become the biggest owners of property today, and the most dependent on its contribution to their overall household wealth. This is significant given the financial challenges facing our ageing population as they seek to live longer, healthier lives. Many have made inadequate funding provision for their retirement and care needs, to the extent that fewer than half (43%) of adults aged 45+ expect to have a "healthy" financial situation when they reach state pension age[3].

This report therefore sets out to understand UK property wealth today and the role it plays in homeowners' outlook during later life – both in managing their own finances and supporting younger generations.

While the 'home for life' mentality persists, our findings suggest people are increasingly thinking of property as a multi-purpose financial asset – particularly those aged 45-64 who represent the retirees of tomorrow. There are also signs of willingness to use housing assets during their lifetimes through loan-based products, with resistance driven by practical barriers rather than entrenched views about the traditional roles of property.

This evidence leads us to set out key considerations for consumers, industry and policymakers to help meet later life and intergenerational needs.

Our calls to action are underpinned by the core belief that – while drawing on property is not right for every circumstance and should not distract from encouraging long-term saving – this should be on every homeowner's checklist to consider as they make financial plans for later life, now more than ever.

We urge industry and policymakers to evolve their thinking to reflect that of older homeowners and support this emerging demand.

David Burrowes
Chairman of the Equity Release Council

[1] Council of Mortgage Lenders, *Home-ownership or bust?*, October 2016

[2] Office for National Statistics, *Early indicator estimates from the Wealth and Assets Survey: attitudes towards saving for retirement, automatic enrolment into workplace pensions and financial situation, July 2016 to December 2017*, August 2018

[3] Mintel, *Equity Release Schemes*, May 2019

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A word from our supporter

Whether you see residential property as an asset, a family home or simply a roof over your head, this report clearly highlights that you cannot ignore its long-term potential to improve your and your family's lives. A significant proportion of UK adults' net worth is tied up in residential property – ranging from 47p in every pound for Londoners to 26p for those in the North East – and to ignore this would seem illogical but that is a reality that we confront on a daily basis.

Too many people simply assume that their property should form part of their plans to leave an inheritance without thinking about its wider implications. Can they help their children to achieve homeownership ambitions sooner rather than later? Will using some of the equity to fund care at home make it easier to accept help? Can they survive comfortably on their existing pension and savings? How can they 'age proof' their home?

None of these questions have easy answers but they are the challenges that older people face on a daily basis. To meet them, the younger cohort (45-64) is more willing to view their home as a potential financial solution but more certainly needs to be done to encourage people to consider property as a matter of course when planning retirement.

It is impossible to capture the full breadth of this emotive and essential debate within 28 pages, but we hope that this report adds evidence and impetus to the discussion. Industry and policymakers need to step up to ensure that we come up with a range of workable solutions that put good consumer outcomes at their heart.

Simon Thompson
CEO of Key Retirement Group which includes Key – the UK's largest equity release adviser

Executive summary

At a glance

- 51% of homeowners aged 45+ see money invested in property as part of their later life financial plans, with those aged 45-64 most likely to agree
- Property wealth and homeownership have become concentrated among older age groups: over-55s now hold 65% of property wealth and make up 51% of owner-occupiers
- As national property wealth passes £4 trillion, older households depend the most on this source of finance: making up 40p in every £1 of over-65s' wealth and 47p among over-75s
- Nearly one in four (24%) over-45 homeowners plan to use money invested in property to help family members while they are still alive, while 47% see it as a 'nest egg' for unexpected expenses
- The Council calls for action to meet later life and intergenerational needs – including a Later Life Commission and Minister for the Elderly alongside industry and regulatory efforts

A picture of UK property wealth

£4 trillion Net UK property wealth passed this mark for the first time in 2018 – equivalent to **over £79,000 per adult**	**25.2%** The loan to value (LTV) of UK housing stock reached the **lowest level of modern times** in Q3 2018 as mortgage debt fell	**11 years** The number of **successive years** where more money has been invested in UK property than taken out via new mortgages

Property wealth across the generations

35p in every £1 The contribution of **property to household finances**, rising to 45p among 75-84 year olds and 53p among over-85s	**65%** The share of **property wealth held by households** over the age of 55, up from 56% in 2006/8	**1/2** Over-55s make up 51% of **owner-occupiers** compared with 39% in 2003/4, while 16-44s have fallen from 42% to 30%
2.1m The **increase in over-65s since 2008** – half of the 4.2m increase in the entire population	**£125k+** 62% of over-65 households hold this **amount of housing equity**	**£250k+** The amount of **equity owned by one in three over-65 households**

Attitudes to property in later life*

72% Want to **stay living in their current property** for as long as they possibly can	**41%** Are looking to **invest in home improvements** in the next year, while 11% are planning home adaptations for extra comfort	**9%** Nearly one in ten in the 65+ age group **permanently share their home with a child or children**
17 years The average time **over-45s homeowners have owned their current home** – most haven't had it valued during that time	**79%** Almost four in five feel their **property is financially important to them or their family** – 66% say it is emotionally important	**56%** Feel they or their family can **benefit financially from their property** while they still live there

Attitudes to property wealth in later life*

51% See **money invested in property** as part of their financial plans for later life	**70%** Seven in ten aged 45-64 see property as **important to their financial comfort** in later life	**24%** See money invested in property as a way to **help family members** while they are still alive
44% Feel using a mortgage or loan in later life is becoming a more **common way for people to manage their money**	**34%** Just over one in three feel they have **no need to consider accessing money from their property** either now or in future	**9%** Fewer than one in ten say a personal sense of **stigma would hold them back** from exploring a mortgage or loan in later life

**All findings refer to homeowners aged 45+ unless otherwise specified*

... three-quarters of the average home is owned in cash or equity, with the remainder backed by mortgage finance

A picture of UK property wealth

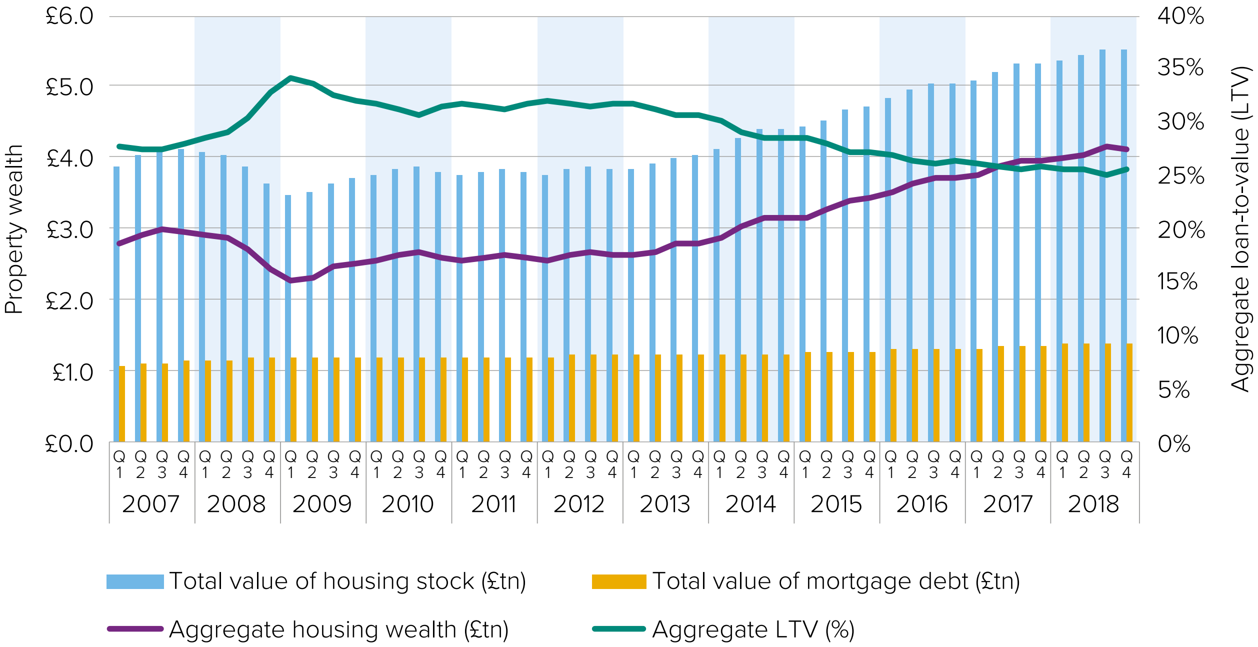
At a glance

- **Net UK property wealth passed £4 trillion for the first time in 2018 – nearly £79,000 for every member of the adult population**
- **The aggregate loan to value (LTV) of UK housing reached the lowest of modern times, as mortgage debt has fallen in real terms and relative to household incomes**
- **Annual mortgage capital repayments (£68bn) and investment in dwellings (£81bn) both reached new highs in 2018**
- **This combined investment in property has exceeded new mortgage debt every year from 2008**

In 2018, we saw the amount of property wealth unlocked via equity release approach a new milestone of £4 billion. On a much broader scale, net UK private property wealth passed £4 trillion for the first time on record: nearly £79,000 for every adult member of the population (aged 18+).

These landmarks follow a long recovery in house prices since the global financial crisis. Since property equity fell to a low of £2.3 trillion in Q1 2009, the annual increase from 2009 to 2018 has averaged £190bn – equivalent to £7,000 per household per year.

Graph 1: Total aggregate UK property wealth (£tn), 2007-2018



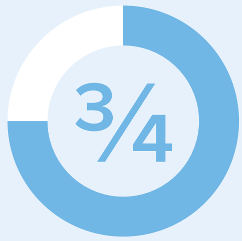
Source: Equity Release Council analysis of Office for National Statistics (ONS) and Bank of England data on the size of the UK housing market, the market value of properties and total outstanding mortgage balances.

Growing equity reserves

Importantly, this housing recovery has not been driven by rapid growth in mortgage debt, in contrast to earlier upswings in the 1970s, 80s and 90s. From Q1 2009 to Q4 2018, outstanding mortgage debt increased at a slower rate (19%) than inflation as measured by the Consumer Price Index (25%).

While house prices have risen steadily – albeit more slowly than in previous upturns – the level of mortgage debt has fallen both in real terms and relative to household incomes. As a result, the aggregate loan-to-value (LTV) ratio of UK housing reached 25.2% in Q3 2018: the lowest of modern times.

The trend means that three-quarters of the average home is owned in cash or equity, with the remainder backed by mortgage finance. Rising house prices have played a role in this, but the UK has also been investing more money in housing than has been released via mortgages over an extended period of time.



three-quarters of the average home is owned in cash or equity, with the remainder backed by mortgage finance

Older age groups have contributed to and benefited from this trend. Over-55s make up 38% of the adult population[4] and 51% of owner-occupiers, yet fewer than one in five (18%) who own their own home have a mortgage[5] while only 10% of new mortgages are taken out by those aged 56+[6].

Changes in UK property wealth

Several factors are responsible for changes in the total value of UK property from year to year. The total can grow through new investment in housing, including purchases of land, and through capital repayments by mortgaged property owners which increase their equity.

On the other side of the equation, property wealth is reduced by net increases to mortgage lending. This includes lending to first-time buyers, landlords and existing owners who move home, remortgage, buy additional homes or release money through equity release or other later life mortgage products.

As might be expected, the changing market value of existing stock (house price changes) has often had the most significant impact in any given year, both negative (2008) and positive (since 2013). However, money paid into property – through new investment in dwellings and mortgage capital repayments – has exceeded new mortgage debt every year since 2008, contributing to the overall shift towards a cash or equity-based market.

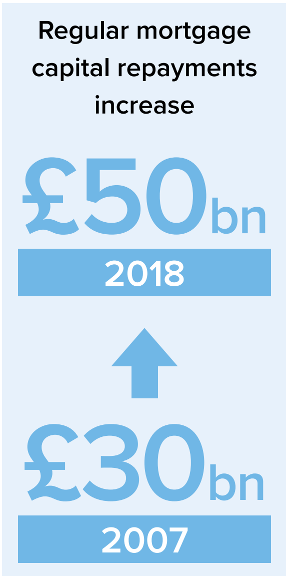
[4] ONS, *Population Estimates for the UK*, September 2018
[5] Ministry of Housing, Communities & Local Government (MHCLG), *English Housing Survey*, January 2019
[6] FCA, *Product sales data*, October 2018

Graph 2: Factors contributing to annual changes in UK property wealth (£m), 2007-2018

Source: Equity Release Council analysis of Bank of England, Financial Conduct Authority (FCA) and ONS data.

Investment and repayment trends

Regular mortgage capital repayments alone – through monthly mortgage payments – have steadily increased from £30bn in 2007 to £50bn in 2018. This represents a significant form of investment in property over people's lifetimes, even though many people do not automatically recognise it as such.



The combination of regular and lump sum repayments exceeded £68bn last year, while investment in dwellings reached £81bn. Both figures are the highest since before 2007 and are more than twice the amount of personal pension contributions made in 2017/18 (£27.5bn).

Most people's first foray into property is with the aid of a mortgage, with their equity subsequently growing through mortgage repayments – albeit today's first-time buyers begin this journey at a later average age (34, compared to 30 in 2006/08)[7] with higher costs of entry. Borrowing by existing homeowners is also often to help them move up the housing ladder, with many also injecting equity into the property when they move home.

To understand the implications of these trends for older homeowners and their families, it is important to assess where property features in households' overall finances, across the nation and between generations.

[7] FCA, *Intergenerational Differences*, published May 2019

Property wealth across the generations

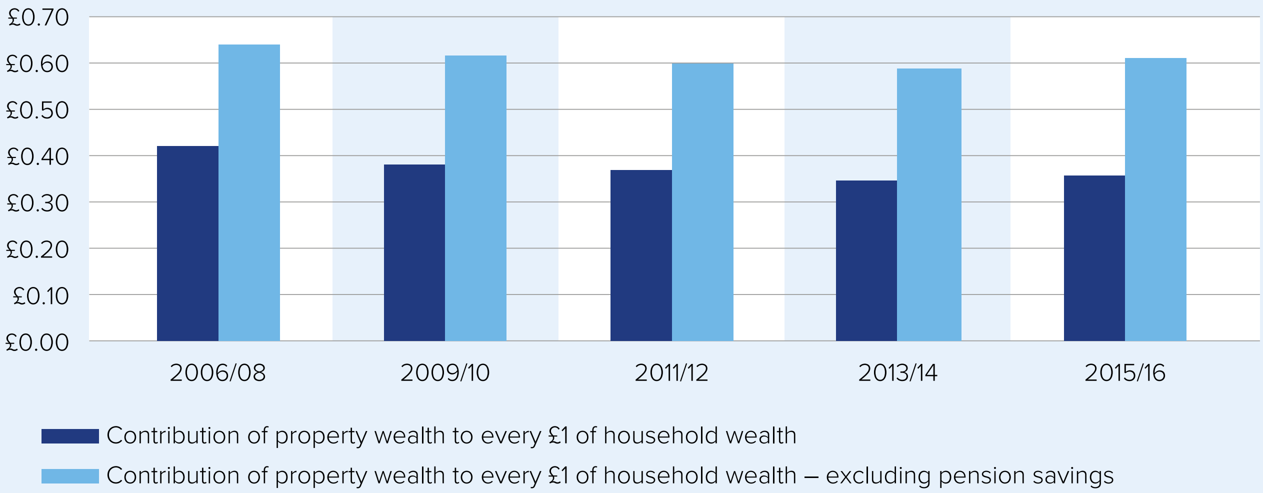
At a glance

- **Property accounts for 35p in every £1 of household wealth, rising to 61p for non-pension assets**
- **Bricks and mortar are the biggest source of finance for those aged 75+ and second for 55-74s**
- **Social and demographic trends over the last decade mean over-55s now hold 65% of property wealth, up from 56% in 2006/8, and make up half (51%) of UK owner-occupiers, compared with 36% in 2003/4**
- **Nearly two in three over-65 households have £125,000 or more in property wealth (62%), including a third (34%) with £250,000 or more**

Property wealth has played a relatively stable role in recent times within the mix of household wealth and assets. The latest official data suggests property makes up more than a third or 35p in every £1 of household finance. The remainder is made up of private pensions (42p), other financial assets (13p)[8] and physical possessions (10p)[9].

The contribution made by property has been broadly consistent over the past decade and amounts to 61p for every £1 of household wealth in the latest figures when private pensions are excluded.

Graph 3: Contribution of property to household wealth in Great Britain



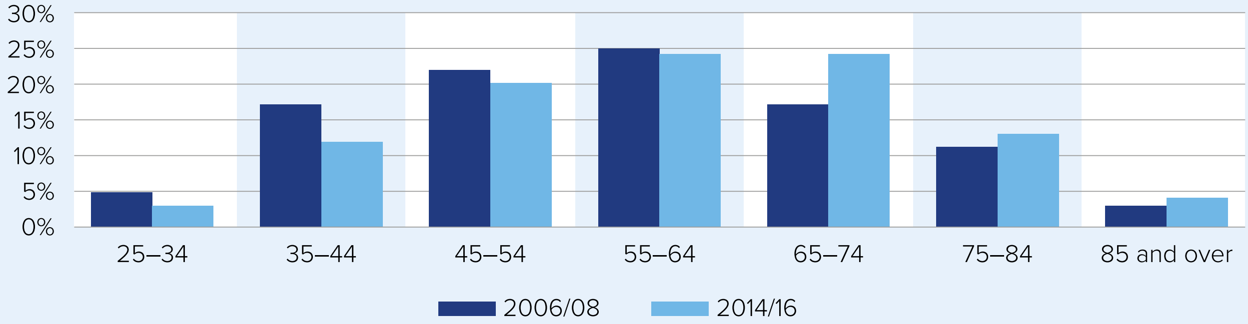
Source: Equity Release Council analysis of ONS Wealth and Assets Survey data

[8] Made up of formal and informal financial assets (e.g. current accounts, savings accounts, ISAs, stocks and shares, physical cash) minus any liabilities (e.g. outstanding balances on credit cards, arrears on household bills and student loans).

[9] Made up of household contents, possessions and valuables.

Property ownership not only provides older homeowners with a place to live but also makes up a significant – often the most significant – contributor to their personal finances

Graph 4: The changing share of national property wealth by age group



Source: Equity Release Council analysis of ONS Wealth and Assets Survey data. 16–24s excluded due to small sample.

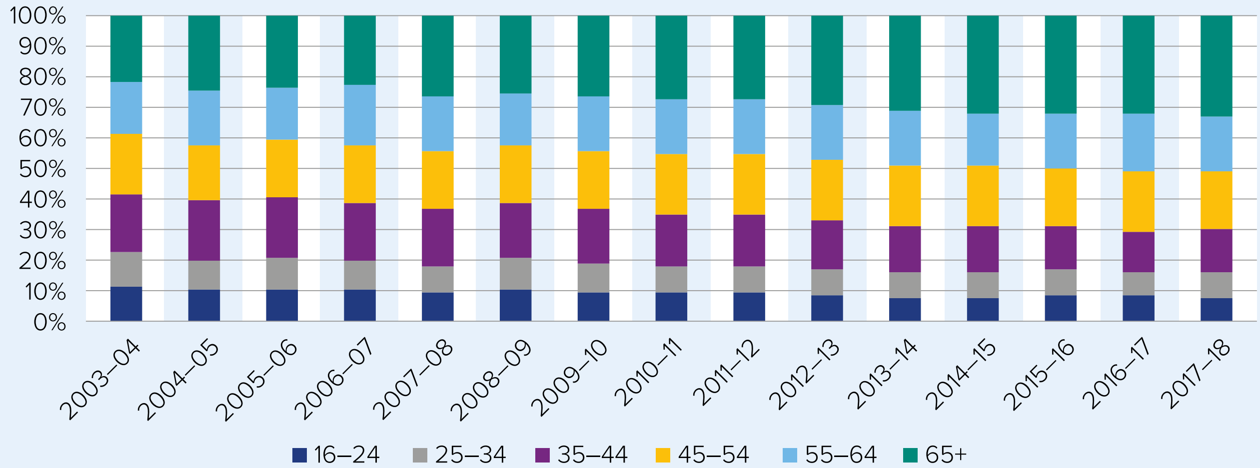
*"This changing distribution of property wealth has been partly **fueled by the UK's aging population.** Another related factor has been the growing concentration of **homeownership amongst older households"***

The number of over-65s has increased by 2.1m since 2008 – half the total 4.2m rise in the entire population. Nearly two in five (38%) UK adults are now aged 55+, compared to a third (34%) in 2000[10].

Another related factor has been the growing concentration of homeownership among older households. In 2003/4, 39% of owner-occupiers in England were aged 55+ and were outnumbered by the 42% aged 16-44. The balance has now shifted to the extent that 51% of owner-occupiers are now aged 55+ with 30% aged 16-44.

[10] ONS, *Population Estimates for the UK*, September 2018

Graph 5: Age breakdown of owner-occupiers in England

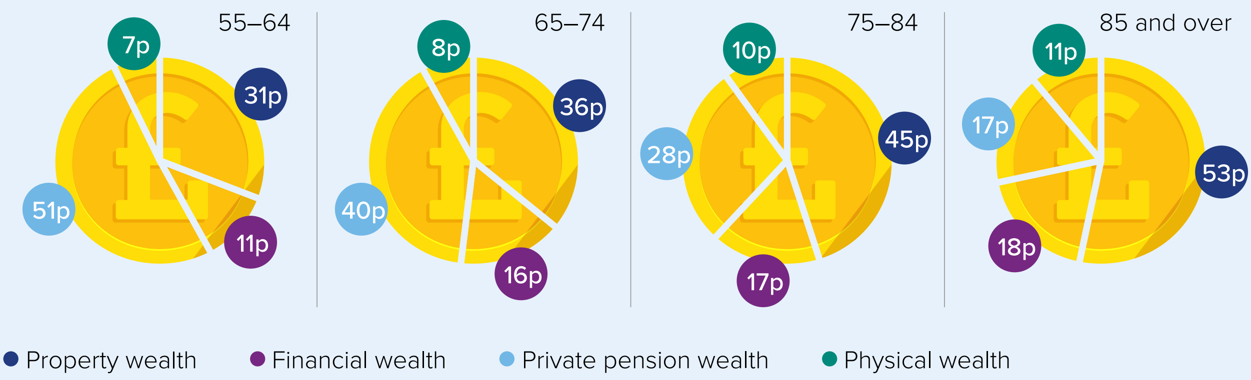


Source: Equity Release Council analysis of MHCLG English Housing Survey data.

The older age groups are not just the biggest owners of property; they are also the most dependent on its contribution to their overall household wealth. This is increasingly true as median household wealth declines among the oldest age groups – highlighting the importance of considering property as a source of later life finance on both an individual and public policy level.

The latest data suggests property is the second biggest source of wealth (31p in every £1) for those aged 55-64, after private pensions (51p). The same is true of 65-74s, yet the property/pension gap is significantly closer (36p vs. 40p). From age 75 onwards, property is the biggest single source of finance and makes up over half of household wealth beyond 85 – more than all other sources combined.

Graph 6: Changing makeup of household finance in later life



Source: Equity Release Council analysis of ONS Wealth and Assets Survey data, 2014/16.

Nearly two in three over-65 households have £125,000 or more in property wealth (62%), including a third (34%) with £250,000 or more. This compares with 41% and 21% respectively across all households.

The figures add weight to the view that property ownership not only provides older homeowners with a place to live but also makes up a significant – often the most significant – contributor to their personal finances. The potential to realise this asset can benefit individuals, by helping people to be self-sufficient in later life, and also support the wider economy with every £1 of equity released estimated to add £2.34 to gross UK output.[11]

[11] Legal & General, *Silver Spenders*, February 2018

Attitudes to property in later life

At a glance

- **72% of over-45 homeowners want to live in their current property for as long as they can, with the 'home for life' mentality more visible in later life**
- **Homeowners aged 45+ are more likely to see property as financially important than emotionally important**
- **Nearly one in ten over-65s share their home with a child or children on a permanent basis**
- **41% are looking to invest in home improvements in the next year, while 11% have specific adaptations in mind to live more comfortably as they grow older**
- **More homeowners expect their beneficiaries to sell inherited property (60%) than use the property itself (23%)**

As the UK population ages and the number of older people increases, we see this age group holding an increased share of the nation's property wealth.

For owner-occupiers, this creates a dual dynamic, as their home is also a financial asset with broader potential uses at a time in life when many are likely to be managing a longer life expectancy, retirement income changes and a need to support younger family members financially.

Resistance to moving increases in later life

When it comes to the effect this has on experiences and attitudes towards property in later life, one indicator of the bond between homeowners and their homes is the average 17 years that over-45s have spent in their current property, rising beyond 20 years for the over-75s.

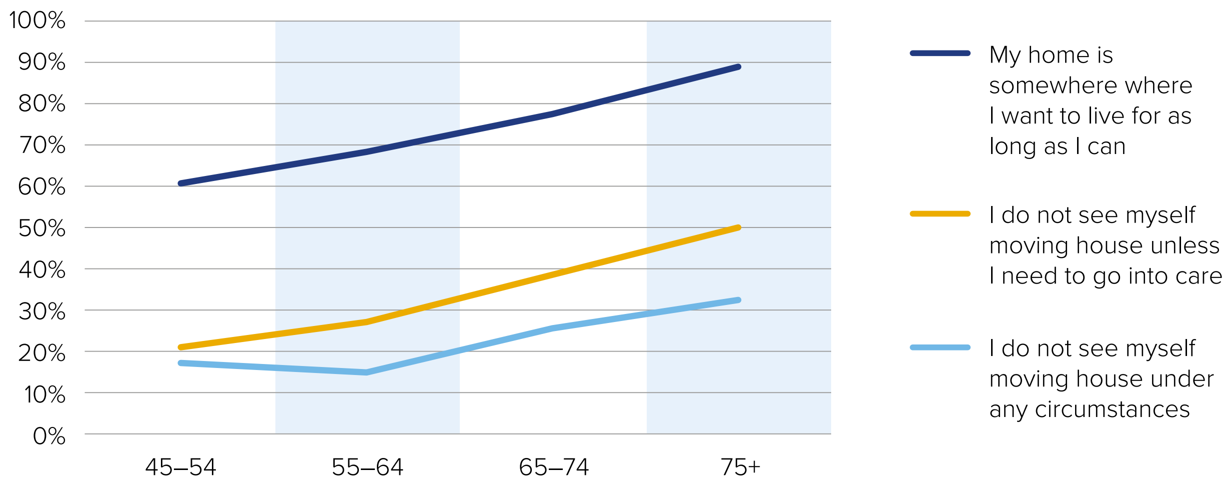
One in three (34%) over-45 homeowners bought their home in 1994 or earlier – at least a quarter of a century ago. Average house prices have increased 116% in real terms over this period, from £55,000 in 1994 (£107,000 in 2018 prices) to £231,000[12]. Yet the majority (66%) of all over-45 homeowners have not had their property valued since they bought it.

While those over-45s who plan to move again typically expect to do so in five years' time, most have no desire to take this path. **Almost three in four (72%) want to live in their property for as long as they can, and this 'home for life' mentality grows stronger with age:** rising to 77% among those aged 65-74 and 89% beyond 75.

These older age groups are more likely to feel they would only move house again if they need care or that they do not want to move again under any circumstance.

[12] Office for National Statistics, *UK House Price Index*, December 2018

Graph 7: Attitudes to moving home in later life



Source: Equity Release Council researh among 2,503 UK homeowners aged 45+, May 2019.

Exploring the 'home for life' mentality

Homeowners' sense of attachment to their property goes beyond their personal and financial needs. For a start, the majority (80%) of over-45s share their home with their partner or someone else. More than one in five (21%) have a child or children living at home permanently, and 4% on a temporary or occasional basis.

Beyond 65, nearly one in 10 (9%) still have a child or children in permanent residence and 2% in temporary residence – which may relate to some parents' care needs, particularly in their later years. The home therefore comes with a strong family connection, and a majority (88%) also say property ownership gives them a feeling of security.

Other non-financial considerations include a connection to the surrounding area, the property's enduring status as the family home and the practicality of accommodating family visitors – a key concern with loneliness being a significant issue for many in later life[13].

Table 1: Over-45 homeowners' attitudes towards their current home – those who agree

	45+	55+	65+	75+
It is big enough to allow family to visit me easily	77%	77%	80%	81%
It is located in an area where I feel comfortable and don't want to leave	76%	77%	81%	88%
It is seen as the family home even if my family don't still live with me	62%	62%	62%	64%
It is somewhere where I want to live for as long as I can	72%	73%	79%	89%

Source: Equity Release Council research among 2,503 UK homeowners aged 45+, May 2019

[13] Age UK, *Evidence review: Loneliness in Later Life*, June 2015

... homeowners aged 45+ are more likely to say their property is financially important than emotionally important

Perceptions of value

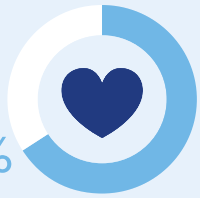
Nevertheless, it is notable that **homeowners aged 45+ are more likely to say their property is financially important (79%) than emotionally important (66%) to them and their family – a trend seen across all age groups.**

People are most likely to feel their property's financial value lies in being passed on as an inheritance (79%). In comparison, 63% feel they can benefit from it if they move or downsize. A smaller majority (56%) feel their property can financially benefit them or their family while they still live there.

When it comes to inheritance plans, homeowners largely expect that any property they leave will be sold so the money can be used for other purposes (60%), rather than used by their family or beneficiaries (23%). But with longer life expectancies and intergenerational pressures, it has been suggested this kind of traditional bequest may arrive too late to help many younger family members towards their goals[14]. Data from Key shows 30% of equity release customers currently use this as a way to gift money to friends or family as a form of 'living inheritance'[15].

79%

Feel their property is financially important to themselves and their family



66%

Feel their property is emotionally important to themselves and their family

79%

Feel their families can benefit from their property's financial value by leaving it as an inheritance

63%

Feel they can benefit from their property's financial value if they move or downsize

56%

Feel they can benefit from their property's financial value while they still live there

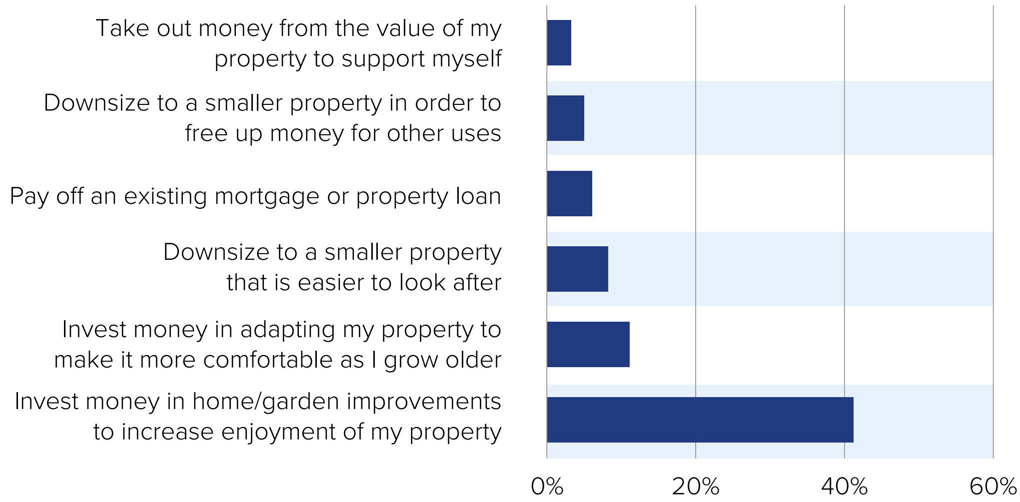
[14] Research by Charles Stanley reported by BBC News, *Millennials 'wrongly relying on inherited money'*, May 2019
[15] Key, *Q1 2019 Equity Release Market Monitor*, May 2019

Property plans for the year ahead: home improvements top the list

Many homeowners aged 45+ plan to invest money in their properties over the next year, continuing the trend seen earlier in this report. Two in five (41%) are looking to increase enjoyment of their house or flat by making home or garden improvements. One in 10 (11%) have specific home adaptations planned to make the property more comfortable to live in as they age. Data from Key shows that making either home or garden improvements is currently the most common use (60%) of property wealth accessed by homeowners via equity release[16].

Moving is not out of the question. However, more people intend to downsize to something that is easier to maintain (8%) than to free up money for other uses (5%). One in 20 (6%) have ambitions to pay off a mortgage or loan, while 3% plan to use money from the value of their property to support themselves over the next year.

Graph 8: Over-45 homeowners' property plans over the next year



Source: Equity Release Council research among 2,503 UK homeowners aged 45+, May 2019

[16] Key, *Q1 2019 Equity Release Market Monitor*, May 2019

Attitudes to property wealth in later life

At a glance

- **Property is the most common response given by over-45 homeowners when asked to identify the most important factors to their financial comfort in later life**
- **Half (51%) see property wealth as part of their later life financial plans, 47% as a nest-egg for unexpected expenses, and 24% as a way to support family while they are still alive**
- **44% feel taking out a mortgage or loan in later life is becoming a more common way to manage money**
- **Only 34% say they have no need to consider taking out a mortgage or loan in later life – 40% see it as a "reality" of ageing**
- **Barriers include making decisions they might regret (41%), cost (27%) and flexibility of their loan (26%), reducing inheritance funds (25%) and a lack of financial knowledge (12%) – outweighing a sense of stigma**

Among people who are yet to retire, investing in property has consistently ranked second only to paying into an employer pension scheme as the safest way to save for retirement[17]. Understandably, property plays an even more significant role for homeowners beyond the age of 45 as they approach later life.

Property is the most common response given by this group when asked to identify the most important factors to their financial comfort in later life. This penchant for property is even stronger among the 45-64 age group than it is among those aged 65+.

Table 2: Homeowners' views on the most important factors to their financial comfort in later life

	45+	45-64	65+
Property, including your home and any other property you own	68%	70%	64%
Personal and/or workplace pensions	60%	60%	61%
The state pension	55%	50%	62%
Other financial holdings e.g. non-pension savings and investments	34%	34%	35%
Physical possessions and valuables that you own	9%	9%	9%

Source: Equity Release Council research among 2,503 UK homeowners aged 45+, May 2019. Respondents could choose up to three options

Across all respondents, women are more likely to see property as important than men (70% vs. 65%), while men collectively put personal and workplace pensions above property (70% vs. 65%). This difference is likely to be linked to the average 65-year-old woman's pension savings being a fraction of the average man's at the same age[18] – making property an even more significant factor.

[17] Office for National Statistics, *Early indicator estimates from the Wealth and Assets Survey: attitudes towards saving for retirement, automatic enrolment into workplace pensions and financial situation, July 2016 to December 2017*, August 2018

[18] Chartered Insurance Institute, *Deficit by a thousand cuts*, October 2018

Exploring an untapped resource

However, property largely remains an untapped resource during many people's lifetimes, despite their awareness of its potential. Only 4% of over-65 homeowners say they have used property wealth to support themselves in the last year, while 3% have used it to support friends or family.

> *"Looking ahead, there are **signs that this reluctance to turn theory into practice and intentions into action may be changing** – not only through the rise of equity release and later life lending activity*[19]*, but in the **shifting attitudes of the younger cohorts** approaching and entering retirement."*

While 64% of over-45 homeowners see the money they have invested in property as part of their inheritance plans, those below the age of 65 are less likely to agree. Instead, many in this earlier phase see property as more than an inheritable asset, and something which forms part of their financial plans for later life which can fulfil multiple roles – including helping family members and meeting unexpected expenses, as well as paying for care if needed.

Table 3: How over-45 homeowners plan to use the money they have invested in property

	45+	45-64	65+
This is part of my plans to leave an inheritance	64%	60%	70%
This is part of my financial plans for later life	51%	55%	44%
This is part of my plans to pay for care if needed	35%	34%	37%
This is part of my plans to help family members while I'm still alive	24%	25%	21%
This is my nest egg should I need it for unexpected expenses	47%	49%	43%

Source: Equity Release Council research among 2,503 UK homeowners aged 45+, May 2019.

Another emerging factor may be a rejection of the myth that drawing on property during people's lifetime is a form of last resort. Whether or not they plan to do so, nearly two in five (37%) homeowners aged 45+ feel it is likely that accessing money from their home may be financially beneficial in later life. This outnumbers the 30% who feel this might be a necessity to support themselves financially as they grow older.

Homeowners who lack confidence about their later life financial prospects are more likely to see a potential benefit in unlocking money from the value of their home (47%). However, so do nearly two in five (37%) of those who are financially confident. This points to the growing appeal of accessing property wealth as a lifestyle choice and financial planning tool among broader segments of the population.

[19] Equity Release Council, *Equity release market records busiest start to any year as property wealth helps meet diverse financial needs*, April 2019

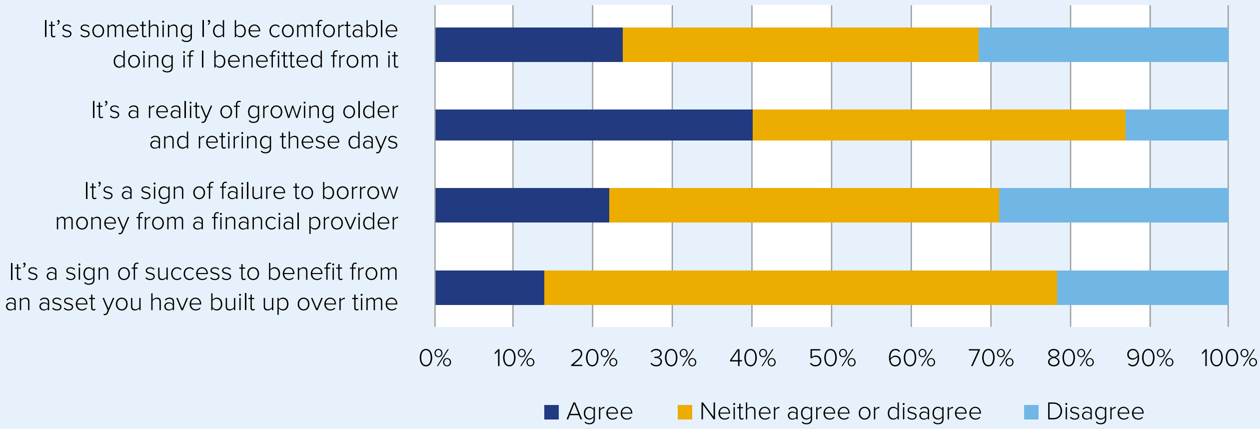
Attitudes to later life lending

The recent growth of equity release and later life lending activity appears to have registered with many homeowners aged 45+. A significant 44% feel taking out a mortgage or loan in later life is becoming a more common way for people to manage their money. As the graph below shows, opinions are split over whether doing so constitutes 'success' or 'failure' – yet 40% feel it is a reality of growing older in today's society.

One in four (24%) say they would be comfortable with having a mortgage or loan in later life if they benefitted from it, including more than one in five (21%) who are currently mortgage-free. The younger 45-54 age group are more receptive to the idea (26%), as are those who are still paying off a mortgage (31%).

With mortgage terms lengthening[20] and people buying their first homes at an older age[21], it will be interesting to monitor whether future retirees carry this attitude with them as they age.

Graph 9: Over-45 homeowners' attitudes to having a mortgage or loan in later life



Source: Equity Release Council research among 2,503 UK homeowners aged 45+, May 2019

Barriers to accessing property wealth in later life

Looking at the potential ways to access property wealth in later life, homeowners aged 45+ are generally more inclined to consider downsizing than taking out a lifetime mortgage when presented with this choice. However, it is noticeable that younger age groups are more open to considering a lifetime mortgage.

Willingness to consider downsizing also reduces with age, which may be influenced by some older homeowners having downsized already and also by the 'home for life' mentality which increases in later life, as seen earlier.

Table 4: Options for accessing property wealth in retirement

	45+	45-64	65+
Open to considering a lifetime mortgage	35%	39%	30%
Open to considering downsizing	69%	75%	61%
Would not contemplate either option under any circumstances	24%	18%	32%

Source: Equity Release Council research among 2,503 UK homeowners aged 45+, May 2019.

[20] FCA, *Sector Views 2019*, January 2019
[21] FCA, *Intergenerational Differences*, May 2019

Asked more broadly what might prevent them from using a mortgage, loan or other financial product to access money from their property, just one in three (34%) homeowners aged 45+ say they have no need to consider doing this either now or in the future.

The implication is that many older homeowners *do* think they may have a need to consider this option. With demand likely to grow, there are already an increasing number and variety of later life products that make this possible, including lifetime mortgages and home reversions[22], interest-only and retirement interest-only mortgages[23], 'retirement mortgages' and capital repayment mortgages.

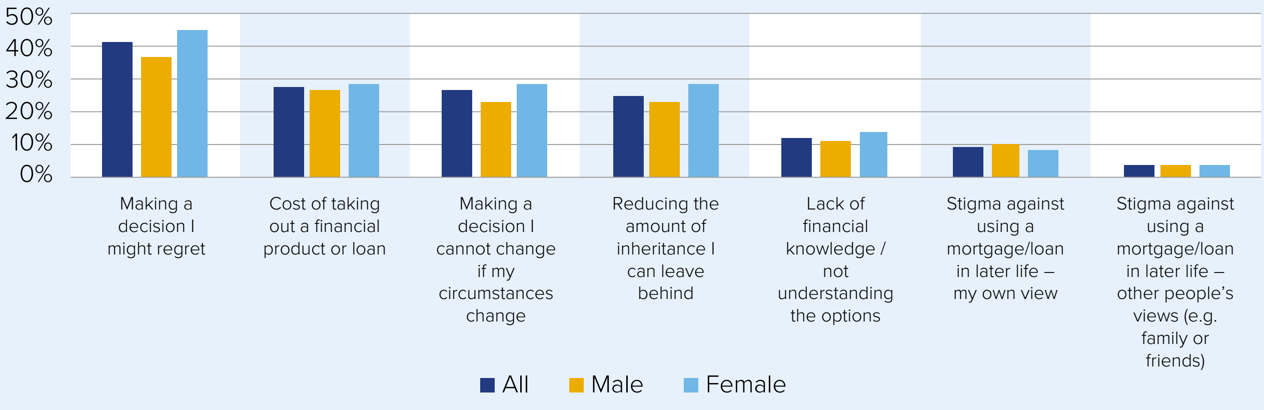
Practicalities not stigma is the most common barrier

Fewer than one in 10 (9%) homeowners aged 45+ say they have a personal sense of stigma against using a mortgage or loan in later life. Only 3% feel they would be held back by a sense of stigma from other people's views, such as family or friends. It is possible that more people may encounter this barrier if the situation arose, or that more people feel this way without admitting it.

Nevertheless, **the most common barriers identified to considering accessing property wealth via a mortgage, loan or financial product – other than a lack of need – all relate to practical considerations** such as making a decision they might regret, the cost or flexibility of a loan, potentially limiting inheritance funds and a lack of financial knowledge.

These are all areas where the financial services industry has taken steps to improve the customer proposition, over an extended period in some cases and accelerating in recent years. These findings reinforce the importance of continued efforts in this area, spanning product innovation, consumer education and communication.

Graph 10: Perceived barriers to accessing property wealth using a mortgage, loan or financial product



Source: Equity Release Council research among 2,503 UK homeowners aged 45+, May 2019.

[22] Equity Release Council, *Equity release moves further into mainstream financial planning as product innovation helps meet growing range of consumer needs*, April 2019
[23] Fitch Ratings, *RIO mortgage lending to increase in the UK*, May 2019

The regional picture across the UK

At a glance

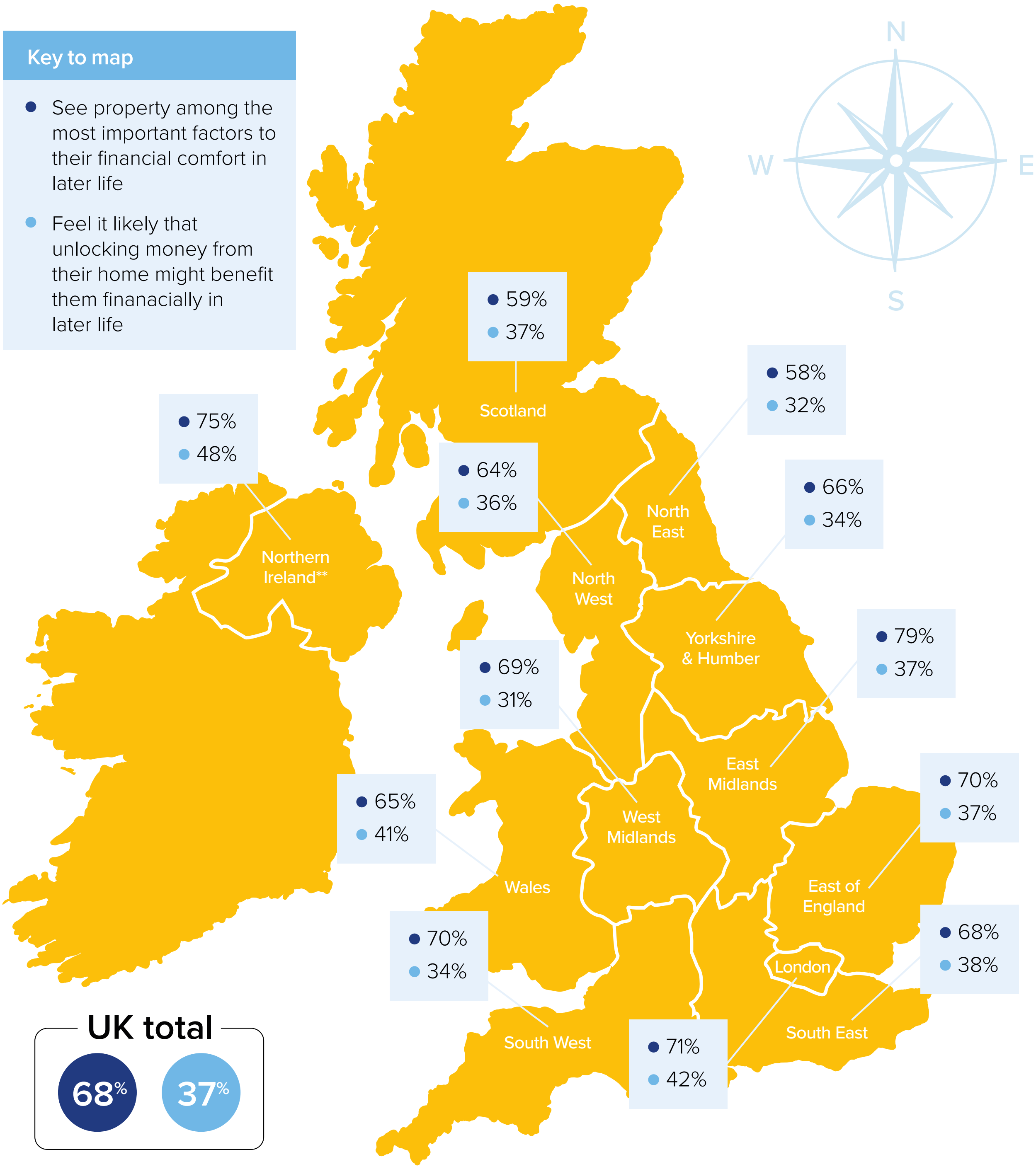
- **The contribution of property to every £1 of household wealth across the regions ranges from 26p in the North East to 47p in Greater London**
- **While property equity is more prominent in London and Southern regions, the view that property has an important role to play in people's financial comfort in later life is shared across the UK**
- **A majority of over-45 homeowners in every region feel this way, rising to 79% in the East Midlands**
- **At least one in three across every region feel that unlocking money from their home may benefit them financially in later life**
- **The view that taking out a mortgage or loan in later life is becoming a reality of growing older is shared by at least one in three across every UK region**

Table 5: Regional attitudes to property and property wealth in later life across the UK

	Contribution of property to every £1 of household wealth in the region*	Do not see themselves moving home again	See property among the most important factors to their financial comfort in later life	Feel it likely that unlocking money from their home might benefit them financially in later life	Comfortable with the idea of having a mortgage or loan attached to their property	Feel that taking out a mortgage or loan in later life is becoming a reality of growing older these days
Scotland	27p	53%	59%	37%	32%	42%
Northern Ireland**	Not available	52%	75%	48%	43%	55%
North West	29p	52%	64%	36%	32%	35%
North East	26p	55%	58%	32%	34%	44%
Yorkshire & Humberside	31p	55%	66%	34%	27%	40%
Wales	31p	54%	65%	41%	32%	41%
East Midlands	31p	57%	79%	37%	30%	43%
West Midlands	33p	56%	69%	31%	29%	40%
East of England	36p	50%	70%	37%	30%	38%
Greater London	47p	41%	71%	42%	40%	42%
South East	37p	48%	68%	38%	27%	39%
South West	36p	54%	70%	34%	29%	41%
UK	35p (GB)	52%	68%	37%	31%	40%

Source: Equity Release Council research among 2,503 UK homeowners aged 45+, May 2019.

** Latest available data (GB only) – 2014/16. **Figures are illustrative owing to small sample size*



Source: Equity Release Council research among 2,503 UK homeowners aged 45+, May 2019.

***Figures are illustrative owing to small sample size*

Conclusion and calls to action

Our analysis demonstrates the increase in the nation's property wealth in recent years, together with an increasing concentration of property assets and homeownership among older age groups, driven by factors including the UK's ageing population.

It also shows a growing acceptance – and desire – among homeowners to view bricks and mortar as a way to support multiple financial goals during their lifetimes. This is particularly evident among those aged 45-64, who are motivated by the potential to help themselves and younger generations.

Property wealth makes up 35p in every £1 of household wealth and assets, increasing to 40p among the over-65s and 47p among the over-75s. In contrast, the £4bn released from people's homes last year via equity release represents around 0.1% of national property wealth reserves totalling over £4tn. The recent rise in activity has benefitted a growing customer base, while still representing only a fraction of the potential that property wealth offers more broadly to help meet people's needs in later life.

Looking ahead, the most common barriers that older consumers identify when considering a mortgage, loan or financial product as a route to access property wealth in their lifetimes all relate to practical considerations, such as decision-making, cost, flexibility, inheritance plans and financial education.

We believe there are some core actions needed to help support the consumer demand that clearly exists on a wider scale. These will also help the later life market to deliver sustainable growth and encourage prudent use of property wealth to meet consumers' and their families' needs, both now and in the future:

Consumers and their families

- The potential use of property wealth to support the nation's household finances must **be visible at the core of public guidance services** – seizing opportunities provided by the Money and Pensions Service (MAPS) and initiatives such as mid-life financial MOTs.
- **Later life education and guidance must start early** – from the age of 45 – to boost financial confidence. At the same time, it must encourage people to take a sensible long-term view on how their assets - including property - can fund their retirement.
- Open conversations need to be encouraged among families about challenging subjects such as finance, care and inheritance plans (including drafting Wills and Powers of Attorney) to support better understanding and outcomes across generations. This requires **ongoing collaboration between financial, legal and care professionals to make this a reality,** with support from the third sector and policymakers.
- We need to encourage consumers to **consider the potential uses of property wealth in later life while also supporting long-term savings habits** – recognising the success of auto-enrolment (AE) which has encouraged a profound behaviour shift among people saving for their retirement.

Government and policymakers

- **A cross-party later-life commission should be established** to help meet the long-term needs of people in later life, including via the potential uses of property wealth and balancing intergenerational needs. Many issues which impact the role of the state and individuals across generations – from the costs of care, retirement and delivery of adequate housing for the elderly – are complex and difficult to address and often extend beyond any parliamentary session.

- This in turn will help to satisfy consumers that important sources of funding are being **factored into policy evolution** by successive governments, so people can plan how they accumulate wealth for later life. The current balance of property wealth has shifted towards older generations – helping people in older age to use this asset in their lifetimes can encourage greater self-sufficiency and also facilitate use of a 'living inheritance' to complement targeted government support for younger people.
- **Understanding the role of property wealth is a core component to any care funding solution across generations – the great challenge of our age.** This option opens up a host of possibilities about funding innovation (including a social insurance fund similar to those in Japan and Germany); setting the right contribution levels from employers and employees through AE (for pensions and care); and addressing the sustainability and fairness of care funding by younger generations through direct taxation.
- **The new Prime Minister should establish a cross-departmental Minister for the Elderly, who can ensure the broader social and financial issues important to them are recognised and co-ordinated across all relevant departments.** For example, we believe there is a need for a housing strategy which encourages the building of affordable and suitable accommodation for people in later life with access to amenities and a diverse social community where they can interact across all age groups.
- **Broader expansion of the equity release market can play an important role to address major social issues, and should receive government support to ensure a cohesive and sustainable role in our society.**

Industry and regulators:

- **Efforts need to be strengthened to make joined-up thinking and more holistic planning a reality in the later life arena beyond conference platforms.** The siloed nature of product-based regulatory permissions makes it more complex for consumers when seeking advice on their combined wealth and assets.
- Growth in the later life market is at risk of creating disjointed customer journeys and inconsistent safeguards. Two neighbours – of similar age and means – may encounter different experiences and protections when exploring their options. The Council's standards require a combination of regulated financial and independent legal advice, and have become a bedrock for consumer confidence. **There is a debate to be had about whether these protections would have a broader benefit in the later life market.**
- **Regulatory stakeholders need to work with industry to demystify the market. More consumer education can ensure people's perceptions evolve with the product range and do not become a barrier to their own needs.** Clear signals from the regulator about the high level of safeguards, protections and oversight will help consumers and advisers to recognise later life lending solutions as an active part of financial planning.
- **Efforts to innovate must continue, as must efforts to communicate the benefit of new propositions to address gaps in people's financial knowledge.** Recent product innovation has gone some way to tackle barriers to accessing property wealth in later life via mortgages or loans, by reducing product costs and increasing flexibility for consumers. Industry needs to keep reinventing itself as an enabler for people to realise their financial goals.
- **Intergenerational needs may offer further opportunities for product innovation, as well as prompting gifting on a wider scale.** Guarantor mortgages offer one way to tackle the first-time buyer challenge where younger households service a loan backed by family members' capital. The challenge of accessing property wealth in later life while minimising interest costs may provide scope for new multi-generational products, for example to help facilitate the earlier transfer of wealth between generations.

About this report

This report was developed by the Equity Release Council with support from Key, drawing on the latest available public data where indicated and independent research among 2,503 UK homeowners aged 45+, carried out by Censuswide in May 2019. While care is taken in its compilation, no representation or assurances are made as to its accuracy or completeness.

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About the Equity Release Council

www.equityreleasecouncil.com

The Equity Release Council is the representative trade body for the equity release sector with over 300 member firms and 1,000 individuals registered, including providers, regulated financial advisers, solicitors, surveyors and other professionals.

It leads a consumer-focused UK based equity release market by setting authoritative standards and safeguards for the trusted provision of advice and products. Since 1991, over 477,000 homeowners have accessed over £27bn of housing wealth via Council members to support their finances.

The Council also works with government, voluntary and public sectors, and regulatory, consumer and professional bodies to inform and influence debate about the use of housing wealth in later life and retirement planning.

About Key

www.keyadvice.co.uk

Part of Key Retirement Group, Key is the UK's largest independent equity release broker – committed to high levels of customer service and the belief that good advice is key to ensuring people make smart sustainable choices around how they use their housing equity.

With over 60 industry and consumer awards under their belt, the Key team offer advice on equity release, later life mortgages and retirement interest-only products. The company also provides support with estate planning including wills and lasting power of attorneys.

Key is committed to putting customers at the heart of what it does and has a score of 9.8 from over 14,500 scores on the independent review site, Trustpilot.

Based in Preston, Key is committed to being independent, transparent and straightforward.

Equity Release Council

Beyond bricks and mortar:

the changing role of property in later life financial plans

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