Equity Release Council

The Pension / Property Paradox:
moving beyond tunnel vision in retirement planning

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Foreword

Private pensions and property represent the two biggest sources of our nation's household wealth. Valued at a combined £11.2[1] trillion, they account for more than three quarters (77%) of household wealth[2]. They are not only the fastest growing sources of wealth; they are also consistently ranked top in public perceptions as the safest ways to save for retirement.[3]

However, this report demonstrates that consumers are facing an uphill struggle when it comes to saving and funding their retirement through pensions alone. Generous final salary pensions are predicted by the Government to be obsolete by 2050,[4] with the majority of savers dependent on defined contribution (DC) pots. Adding to this pressure, many older homeowners are already struggling day-to-day, with one in five (19%) feeling less secure than a year ago, making contributions to their DC pensions even more challenging. This is prompting the early erosion of their pension pots.

Exacerbating this issue, is the fact that many older homeowners are over-estimating the income they're likely to achieve in retirement. The average retiree faces an annual gap of £17,984 between the income they expect to have and what they're likely to achieve.[5]

With the UK's population ageing rapidly, the scale of this issue is only set to become greater. With an increasing number of consumers set to fund longer retirements on smaller pension pots, property wealth is fast emerging as a viable solution to help meet this funding challenge.

The property wealth of the retirees of today and tomorrow holds untapped potential, with many opting to prioritise their property wealth over their pensions over the course of their lives. Such property wealth could enable the average older homeowner to unlock around £88,290, equivalent to over a decade's worth of state pension pay-outs.[6]

Homeowners aged 55 and over have unlocked 44p of property wealth for every £1 of savings accessed via flexible pension payments (£12.7bn vs. £28.7bn) since Q2 2016[7], with many now looking to property as a multi-purpose financial tool.[8]

Despite this growing popularity, there remains a property / pension paradox. The two asset classes are often viewed as contradictory meaning property wealth remains in the blind spot when it comes to retirement planning. Just one in five (19%) older homeowners who have sought financial advice for retirement were encouraged to consider their property wealth as part of this conversation, this is despite it being the largest asset owned by many.

This report argues that a single-product solution to retirement planning is no longer fit for purpose. When property and pensions are viewed through the lens of retirement the two asset classes are complementary, not contradictory and as such, we call for the breakdown of silos that create tunnel vision when it comes to later life financial planning.

Work needs to be done to consign this tunnel vision to the past – giving individuals the confidence to plan for retirement by considering the full range of their assets. We are committed to working with our members, the wider financial services industry, regulators and Government to make this a reality, and ensure property wealth can play an effective supporting role to supplement the nation's savings habits.

David Burrowes
Chairman of the Equity Release Council

[1] Office for National Statistics (ONS), *Total wealth in Great Britain: April 2016 to March 2018*, December 2019

[2] The remaining 23% consists of financial wealth (including formal investments, such as bank or building society current or saving accounts, investment vehicles such as Individual Savings Accounts, endowments, stocks and shares and informal savings) and physical wealth (including household contents, possessions and valuables owned, such as vehicles, antiques, artworks and collections)

[3] ONS, *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

[4] Department for Work and Pensions, *Pensioner income projections*, March 2015

[5] Based on the average income an older homeowner expects to need and the average retirees' income in retirement according to the Department for Work and Pensions, *Pensioners' Income Series*, August 2019

[6] The current *basic state pension* pays up to £129 a week or £6,718 a year, while the full *new state pension* pays £169 a week or £8,767 a year.

[7] Analysis of Equity Release Council member data and HMRC Flexible Payments from Pensions data, Q2 2016 to Q4 2019

[8] Equity Release Council, *Beyond bricks and mortar: the changing role of property in later life financial plans*, June 2019

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A word from our supporter Key

"A good retirement is often seen as the reward for a productive working life but as people's needs and wants for later life continue to evolve, the historic approach to achieve this by relying solely on pensions assets will not be right for most people. With older homeowners estimating that they will need 16% more than the average UK salary in retirement – even those who still have access to some final salary scheme income will struggle to meet this lofty target. Instead this report highlights that with the over-55s having significant assets tied up in bricks and mortar, people will need to take a more holistic view of how they manage their finances as they age. People may choose to use their housing equity to improve their lifestyle, to help children/grandchildren, to future proof their property for later life living or even as a way to potentially pay for care at home if and when the need arises. The choices people make will depend on their individual circumstances, however, it is vital that no-one ignores the potential tied up in their home due to misconceptions or misinformation about the options available to them. As a sector, we need to work with the wider financial services industry as well as Government to help people source information and to access specialist advice in order enjoy better retirements."

Will Hale
CEO of Key

Executive summary

Pension saving pressures

- Rising pension incomes have stalled, with the average pensioner's weekly income just £7 higher in real terms than in 2009/10
- By 2050, generous final salary pensions are likely to have disappeared from the private sector
- Pension savings and mortgage repayments compete to be older homeowners' financial priority in the run-up to retirement
- Living costs, income pressures and financial dependents are prompting early access to pension pots for more than one in ten over-55 homeowners

Retirement income reality check

- Income from property holds untapped potential, with the average homeowner in England and Wales able to unlock around £88,290
- Older homeowners expecting to need a retirement income 16% higher than the average UK full time employee and facing a reality gap of £17,984 when it comes to their retirement income
- Dependency on the state pension is under-estimated by older homeowners, despite it forming 43% of pensioners' gross income
- Women and those that have taken career breaks to support their family show the lowest levels of confidence when it comes to retirement

Property wealth in the blind spot

- Over a third of over-55 homeowners have not sought out information and advice on later life planning
- Only 19% of those who have sought help were prompted to consider the potential supplementary income they can achieve from property wealth
- Confusion reigns over where people can turn for support with multi-asset retirement planning
- The majority of older homeowners are unaware that pensions can be left as part of an inheritance

Pension saving pressures

Key findings

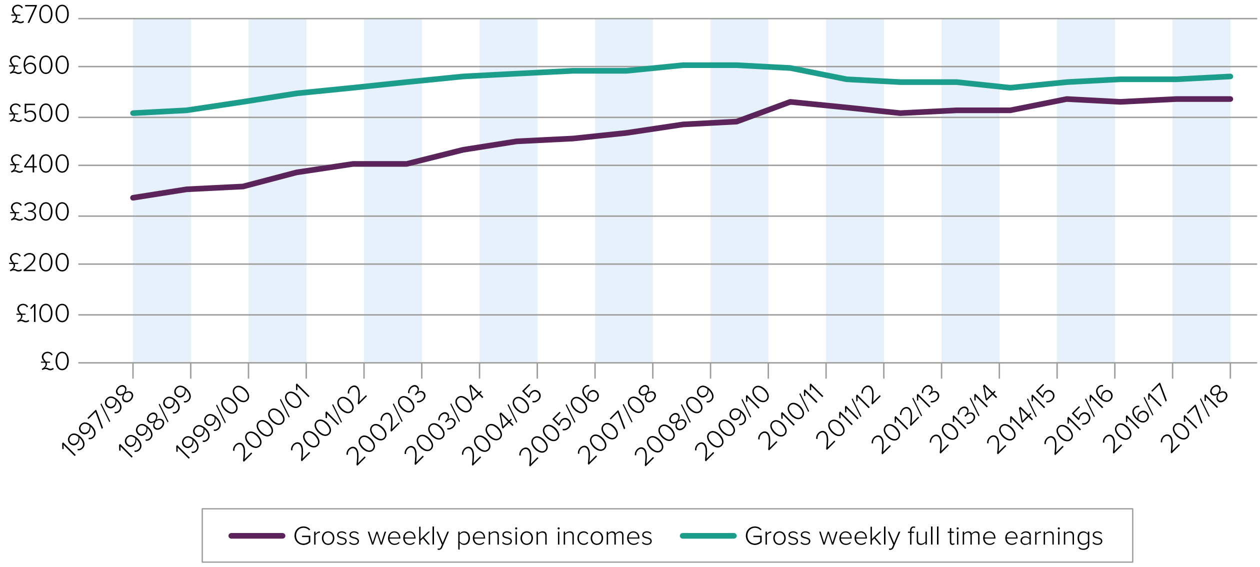
- **Rising pension incomes have stalled, with the average pensioner's weekly income just £7 higher in real terms than in 2009/10**
- **By 2050, generous final salary pensions are likely to have disappeared from the private sector**
- **Pension saving and mortgage repayments compete to be older homeowners' financial priority in the run-up to retirement**
- **Living costs, income pressures and financial dependents are prompting early access to pension pots**

Despite recent income growth for pensioners, the UK has significant pensioner poverty

Although pensioners have enjoyed a growth in income compared to other age groups, that upward trend now appears to have stalled. This is prompting questions about whether the nation has reached 'peak pensioner'[9] with living costs expected to rise.[10]

However, even allowing for this welcome long-term improvement from the mid-1990s to the late 2000s, the UK has also been singled out as home to western Europe's biggest increase in pensioner poverty since 1986.[11]

Average weekly gross income for pensioner households compared with gross weekly earnings for full-time employees, 1997/98 to 2017/18 – real terms comparison



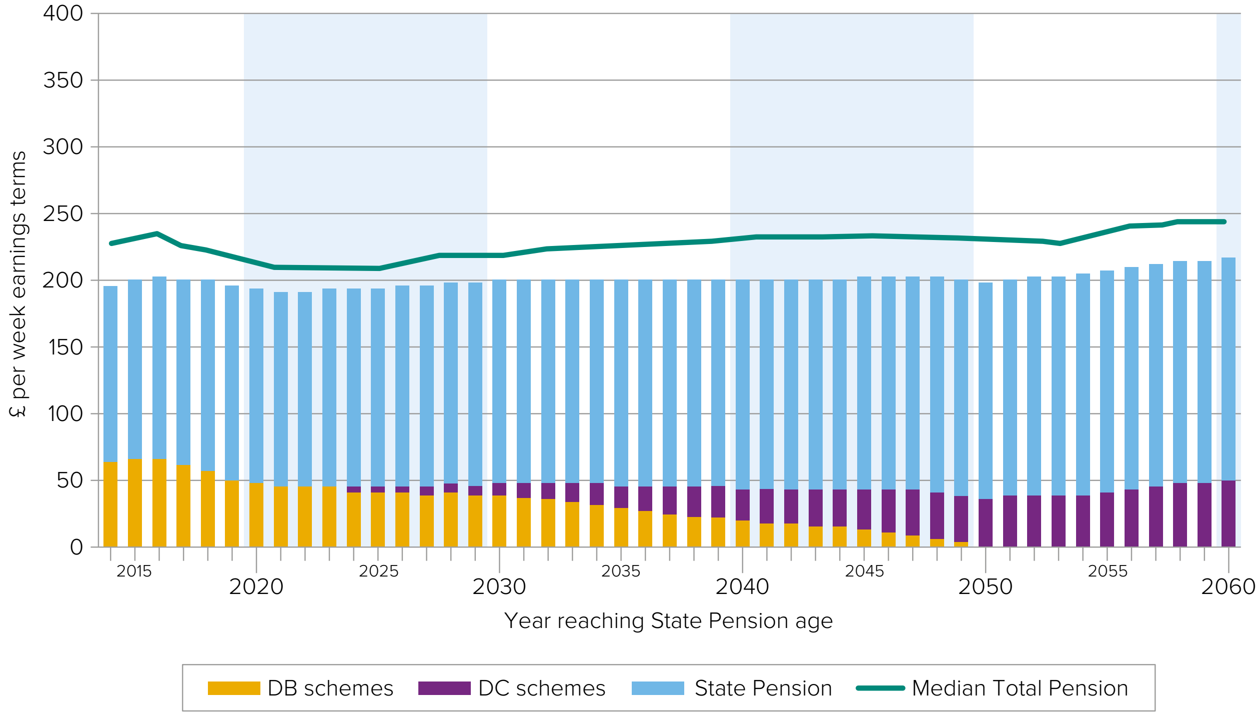
Source: Department for Work and Pensions (DWP), Pensioners' Income Series 2017/18 (2017/18 prices), ONS Employee earnings in the UK: 2019 (2019 prices)

[9] Institute of Fiscal Studies, *Latest income inequality figures show we may have reached peak pensioner*, June 2018
[10] Department for Work and Pensions (DWP), *Pensioners' Income Series 2017/18*, August 2019
[11] University of Oxford, *Pension Reforms and Old Age Inequalities in Europe*, August 2019

2050: year zero for private sector final salary pensions

By 2050, the generous Defined Benefit (DB) or ‘final salary’ pension – a scheme that promises to pay out an income based on how much you earn when you retire and that many of today’s private sector retirees are reliant on – are predicted to be obsolete.[12]

Weekly median amounts of pension, by pension type and year reach State Pension age, as a 5 year moving average



Source: Department for Work and Pensions, Pensioner income projections

The past decade has seen over 10m people become automatically enrolled into workplace pensions, with 87% of UK employees now saving this way compared with 55% in 2012.[13] However, the continued demise of final salary pensions in favour of Defined Contribution (DC) pensions is likely to have a significant impact on retirement income due to the generosity of final salary pensions in comparison to their DC counterparts.

DC pensions refer to when an individual builds up a pension pot using their contributions and their employer’s contributions (if applicable) plus investment returns and tax relief. This highlights the scale of the challenge many DC savers now face to save enough to deliver the kind of retirement income that past generations have enjoyed.

> *“The shift from final salary schemes will put more individual responsibility on savers to provide for themselves in later life, as their pension savings will need to be extracted entirely from their monthly incomes. This savings squeeze is occurring at a time of low wage growth, rising living costs, increased economic uncertainty and limited engagement with financial planning.”*

Longer life expectancies are exacerbating this challenge, as smaller pension pots are expected to support longer retirements. The World Economic Forum estimates that UK retirees will outlive their savings by a decade.[14] Average savings at retirement will fund 8.5 years of income – leaving men with a deficit of 10.3 years and women with 12.6 years.

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[12] Department for Work and Pensions, Pensioner income projections, March 2015
[13] The Pensions Regulator, Automatic enrolment commentary and analysis: April 2018–March 2019, October 2019
[14] World Economic Forum, Retirees will outlive their savings by a decade, June 2019

Property's potential in helping to fund the UK's ageing population

Once private savings are exhausted, this trend is likely to create an even greater reliance on state support, at a time of life when care needs often increase. This will continue to be the case unless savings habits increase significantly and/or additional sources are used to help fund later life.

On a national scale, welfare spending on pensioners in Great Britain is forecast to reach £124 billion during this financial year. This has grown 32% over the last 10 years, putting extra pressure on the tax payer at a time of growing debate on how to balance intergenerational inequalities and needs.[15]

However, annual pensioner welfare spending is dwarfed by the £4 trillion+ of UK property wealth – offering a potential route to help supplement state support as the old-age population grows.

£8,767
Full new state pension

£88,290
Potential equity released from the average home

£124 billion
Forecast GB pensioner welfare spending, 2019/20

£4 trillion+
Net UK property wealth

Source: Gov.uk, ONS, OBR, Equity Release Council

[15] Office for Budget Responsibility (OBR), Spring Statement 2019: GB welfare

Saving habits feeling the strain as many face day-to-day financial struggles

While macro issues such as increased longevity and the shift from final salary to DC pensions is creating an increasingly challenging pension saving climate, other factors are placing strain on people's ability to save for later life.

Almost one in five (19%) homeowners aged 55+ report feeling financially less secure now than a year ago. Just 23% of those yet to retire have been able to increase the amount they save into their pension in the past year.[16]

Only 29% believe they save enough already and do not need to increase their savings. Yet many are juggling rising living costs with supporting financial dependents, coping with a decline in earnings or still paying off their mortgage.

Most common reasons over-55 homeowners who are not yet retired are unable to increase their pension savings

Source: Equity Release Council research among over-55 homeowners, October 2019

Pensions and mortgage payments are competing priorities

A mortgage often represents homeowners' single biggest financial expense, reflecting the fact that property is frequently their single biggest asset.

Almost half (44%) of mortgaged over-55s report that paying off their mortgage has limited or is likely to limit their pension savings potential which may ultimately create a greater need to look to property wealth in later life if their pension savings run low.

Among those over-55 homeowners who have increased their pension savings in the last year, nearly one in three (31%) say they have been able to do so because they are no longer paying off a mortgage.

[16] Excludes any mandatory increases as a result of auto-enrolment contributions rising

Financial pressures prompt early erosion of savings pots

Today's financial pressures are not only limiting savings potential, they're also leading older homeowners to dip into their pension pots early, eroding the pot many will depend on to fund their retirement.

> *"One in six (16%) homeowners aged 55+ who are not yet retired will be drawing on their pension savings before they fully retire."*

The biggest driver of early access to pension savings include supplementing or replacing income. This may be due to poor health or lack of suitable work preventing individuals in this age group from working, or because of the care burden many people in this age group face. The proportion of people providing unpaid care to family, friends, neighbours or others peaks at age 56 for women and 59 for men – at which point around one in four women (25%) and more than one in six men (18%) are informal carers.[17]

The strong interplay between pensions and property is further evident with one in five (20%) older homeowners accessing pension savings earlier than planned to pay off a mortgage.

Reasons why over-55 homeowners have or expect to access their pension savings earlier than planned

To help with day-to-day living costs as I was unable to work	27%
To help with day-to-day living costs by supplementing my income	27%
To provide financial support to older relatives	23%
To pay off my mortgage	20%
To provide financial support to younger relatives	20%
To pay for an unexpected cost, e.g. divorce settlement	20%
To pay off other non-mortgage debts	19%
To make a significant purchase (car, holiday, house)	17%

Source: Equity Release Council research among over-55 homeowners, October 2019

[17] ONS, *Milestones: journeying through adulthood*, December 2019

Retirement income reality check

Key findings

- **Income from property holds untapped potential, with the average homeowner in England and Wales able to unlock around £88,290**
- **Older homeowners expecting to need a retirement income 16% higher than the average UK full time employee and facing a reality gap of £17,984 when it comes to their retirement income**
- **Dependency on the state pension is under-estimated by older homeowners, despite it forming 43% of pensioners' gross income**
- **Women and those that have taken long career breaks to support their family show the lowest levels of confidence when it comes to retirement**

Despite this concerning backdrop when it comes to pension saving in the UK, expectations as to what older homeowners expect to have as a retirement income are far from reality.

Retirement income expectations failing to meet reality

Our research shows that the average older homeowner expects to need a retirement income of £35,196 annually for their individual needs. This is an ambitious and unrealistic target when considering the average UK full time employee earns 16% less than this per year, with an annual income of £30,420.[18]

When comparing this retirement income expectation with the reality, the gap is even greater. In reality, the average annual income of today's single retirees is £17,212 a year, amounting to an annual shortfall of £17,984 between what they expect to need and what they are likely to actually achieve.[19] This is a difference of over 100%.

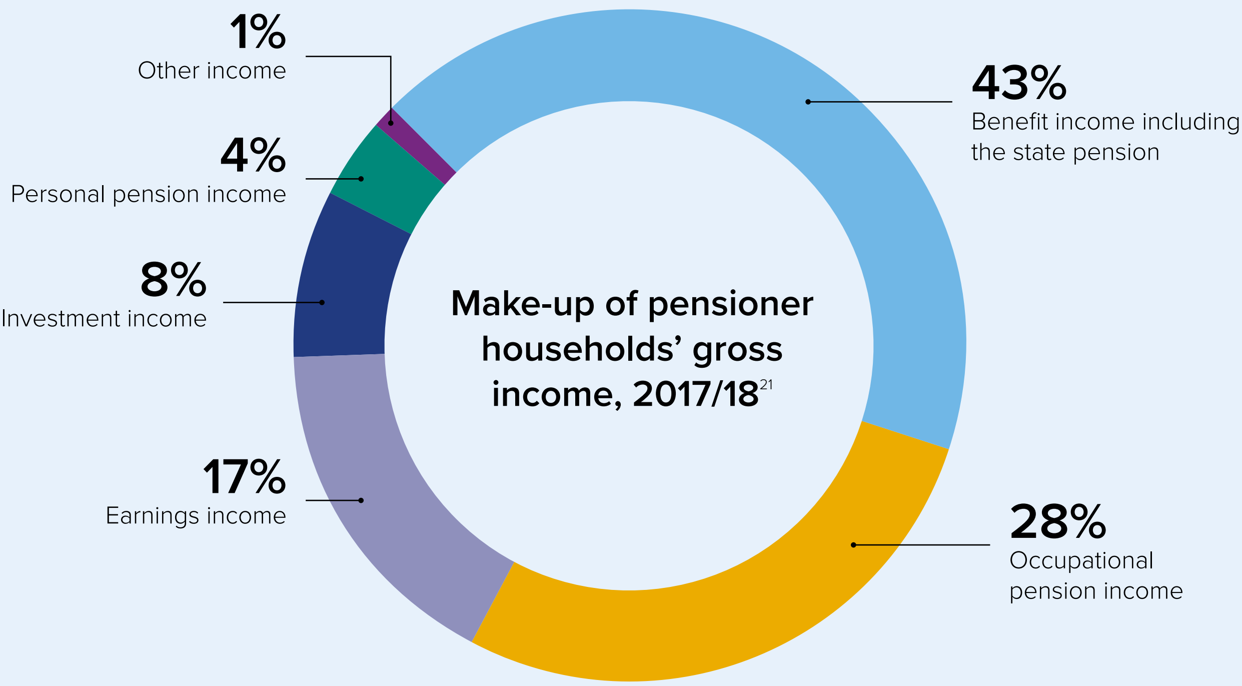
While older homeowners' desired income could roughly enable them to afford what the Pensions & Lifetime Savings Association (PLSA) new Retirement Living Standards, categorises as a 'comfortable' retirement income, in reality they are much more likely to only be able to afford a 'moderate' income, which is estimated to cost around £20,200 a year.[20]

It is worth noting that the income estimates for the PLSA also exclude any potential housing and social care costs, meaning those that are left facing social care costs or paying rent will need considerably more to achieve a moderate standard of living.

[18] Median weekly earnings for full-time employees was £585 in April 2019, equating to an annual income of £30,420, *Employee earnings in the UK*, October 2019
[19] Department for Work and Pensions, *Pensioners' Income Series*, August 2019
[20] Pensions & Lifetime Savings Associations, *Retirement Living Standards*, October 2019

Older homeowners fail to anticipate their dependence on the state pension

Dependency on the state pension also helps to highlight savers' overly ambitious approach when it comes to funding retirement. Half of older homeowners (52%) say they are confident about supporting themselves from week to week without relying on the state pension. However, government figures[21] show benefit income – including the state pension – makes up 43% of the average pensioner households' gross income, rising to 59% among single pensioners.



[21] Department for Work and Pensions, *Pensioners' Income Series*, August 2019

Impact of a retirement income reality check

While retirement income ambitions are high, there are significant variations when looking between different groups.

Women experience the lowest level of confidence, especially those who are divorced, separated, or have spent at least ten years not working to care for family.

Confidence levels (those who are 'very confident' or 'quite confident' about saving enough to support themselves for as long as they live)

Men	62%	VS	44%	Women
Retired	61%		52%	Not yet retired
Married	57%		46%	Divorced or separated
Those with DB pensions	67%		60%	Those with DC pensions
Homeowner (outright)	55%		51%	Homeowner (mortgaged)
Employed full-time for most of their career	56%		29%	Spent at least ten years not working to raise or care for family members

Source: Equity Release Council research among over-55 homeowners, October 2019

Concerns about paying for later life are also felt most strongly by those who are not yet retired, in what could be a sign of future challenges to come. Three in four (75%) homeowners aged 55+ have concerns about funding retirement, increasing to 86% for those yet to retire.

Almost a fifth (18%) are concerned they may have to sell their home to pay for retirement, which could have knock-on social effects – for example, if it results in people relocating to less familiar surroundings, away from their community and loved ones. Depending on the choices people make, the financial implications of needing to meet ongoing accommodation costs would also need to be considered.

Biggest concerns about paying for retirement

	All over-55 homeowners	Those not yet retired	Those already retired
Falling ill and having to pay for care	37%	37%	36%
Running out of money	27%	35%	18%
The cost of home maintenance	26%	29%	22%
Not knowing how much I am going to need	22%	27%	17%
Coping with regular bills	19%	25%	13%
Having to sell my home	18%	21%	14%
I have no concerns	25%	14%	34%

Source: Equity Release Council research among over-55 homeowners, October 2019

Income from property holds untapped potential

Homeowners aged 55+ who access their property wealth via equity release typically draw on around 30% of its value, the equivalent of £88,290 when based on today's average house prices.[22]

On an individual level, this amount is equivalent to over ten years of payments from the full new state pension.[23]

Official figures suggest that people typically see investing in property as second only to paying into an employer pension scheme as the safest way to save for retirement.[24] However, this has not always been reflected in their choices at retirement.

"The demand exists for additional sources of funding in later life"

It has only been in recent years that later life lending products such as lifetime mortgages have become more commonly used – helped by greater choice, competition and innovation in the equity release market[25] – rather than relying on downsizing or leaving an inheritance to access property wealth.

Homeowners have unlocked 44p of property wealth for every £1 of savings accessed via flexible pension payments (£11.6bn vs. £26.4bn) since Q2 2016.[26]

This highlights the demand that exists for additional sources of funding in later life, and the potential for property wealth to help support pension savings to meet a range of personal and social needs. Data from Key shows popular uses of equity release include clearing mortgages, repaying unsecured debt and improving homes and or gardens to age-proof their property in later life, while other customers use the money to help family.[27]

However, to support these objectives on a larger scale, fundamental changes are needed to the way people access information, guidance and advice about retirement planning to move beyond 'tunnel vision' and consider all their wealth and assets in the round.

[22] Based on average house prices for parliamentary constituencies in March 2019 across England and Wales
[23] The current *basic state pension* pays up to £129 a week or £6,718 a year, while the full *new state pension* pays £169 a week or £8,767 a year
[24] ONS, *Early indicator estimates from the Wealth and Assets Survey, July 2016 to December 2017*, August 2018
[25] Equity Release Council, *Equity release customers see unprecedented levels of product choice and flexibility in the first six months of 2019*, September 2019
[26] Analysis of Equity Release Council member data and HMRC Flexible Payments from Pensions data, Q2 2016 to Q4 2019
[27] Key, *UK Equity Release Market Monitor*, November 2019

Property wealth in the blind spot

Key findings

- **Over a third of homeowners aged 55+ haven't sought out information and/or advice on later life planning**
- **Only 19% of those who have sought help were prompted to consider the potential supplementary income they can achieve from property wealth**
- **Confusion reigns over where to turn for support with multi-asset retirement planning**
- **Majority of older homeowners are unaware that pensions can be left as part of an inheritance**

Retirement planning fragmented at best

Prompting people to take a proactive approach to retirement planning remains a major challenge for the financial services industry, government and policymakers; which initiatives such as the 'pension dashboard' and pension 'wake-up' packs are seeking to address.

> ***"The UK needs more open conversations about retirement planning, not less. However, these conversations should not happen in silos."***

As things stand, despite being near to retirement or already retired, nearly two in five (39%) homeowners aged 55+ have not sought out information or discussed their financial plans either formally or informally.

Friends and family are one of the most popular sources of information, more popular then government guidance services. While it is positive that retirement is being discussed, informal advice might result in less accurate options and outcomes compared to a regulated and up-to-date appraisal of financial options in later life.

Those who have sought help typically start in their mid-40s and are most likely to speak to a financial adviser they have chosen themselves (21%). One in ten (10%) have used a financial adviser via their workplace.

The internet is the second most common source of help (16%) for those who are making financial plans, while 12% say they have used free public services such as the Money Advice Service (now part of the Money and Pensions Service).

However, the fragmented nature of these conversations means people are also speaking to banks, mortgage brokers, solicitors, accountants and tax advisers and wealth managers as part of their financial planning for retirement.

This fragmentation is to be expected and is positive in one sense, given the UK needs more open conversations about retirement planning, not less. However, these conversations should not happen in silos.

What options have you personally used to help make financial plans for retirement?

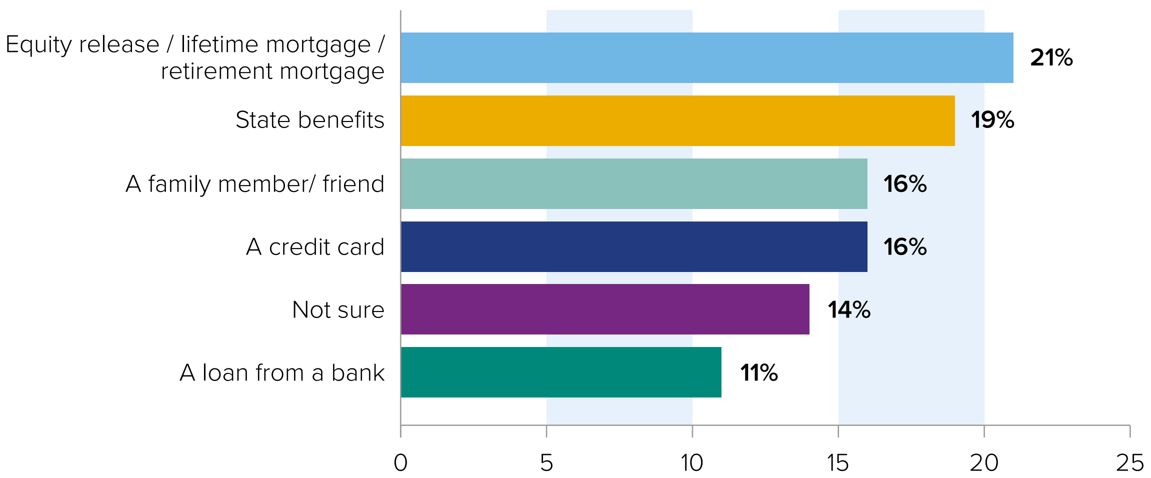
I have not personally used anything to help make financial plans for retirement	39%
A financial adviser, chosen by me	21%
The internet	16%
A pension adviser	14%
Friends or family	13%
Free government service, for example, Money Advice Service (now the Money and Pensions Service)	12%
My bank	10%
A financial adviser, provided by my employer	10%
Wealth manager	8%
Accountant/tax adviser	6%
Mortgage broker	5%
Solicitor	5%
Financial/ debt management charity	5%

Source: Equity Release Council research among over-55 homeowners, October 2019

Property wealth needs to be more than an after-thought

The importance of including property in a joined-up conversation when engaging in retirement financial planning is clear from homeowners' assets and views on additional sources of retirement funds. Asked where they would be most likely to turn if they needed extra money in retirement, the most common choice is later life lending products, such as lifetime mortgages or retirement mortgages (21%). However, only a fifth (19%) of those seeking support from advisers and other sources of guidance were prompted to consider accessing property wealth via equity release as an option – showing a lack of joined-up thinking that takes all wealth and assets into account.

Where older homeowners would be most likely to turn if they needed extra money in retirement



Source: Equity Release Council research among over-55 homeowners, October 2019

This highlights the consumer appetite for information, guidance and advice on later life products that serve this purpose. Those 46% of homeowners aged 55+ who are somewhat unlikely or very unlikely to consider unlocking property wealth typically feel:

41%
Their pension savings are sufficient not to need this option

36%
They want to leave their property as part of an inheritance

28%
They would rather downsize

27%
They are reluctant to take out a loan in later life

These motivations diverge significantly when comparing men and women. Among homeowners aged 55+ who are men, who would not consider accessing their property wealth, over half (52%) report this is because they expect to have enough money in their pension. This is compared to just 30% of homeowners aged 55+ who are women. But while having sufficient pension savings is the main reason why these men may be unlikely to consider this course of action, for these women it is the fact they want to pass on their property as part of their inheritance (38%).

Property wealth already becoming a key part of later life financial plans

Research from the Equity Release Council[28] highlights attitudes to property wealth are changing as bricks and mortar become a greater part of overall wealth for those aged 45 and over. Over half (51%) of homeowners aged 45+ see money invested in property as part of their later life financial plans, with those aged 45 to 64 most likely to agree. Meanwhile, 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 increasing importance being placed on property to support financial planning requires joined-up retirement financial planning to enable consumers to be best supported.

[28] Beyond Bricks and Mortar: The Changing Role of Property in later life plans, June 2019

Customer journeys unclear

The findings also suggest many older homeowners are potentially interested in property wealth as a supplementary source of retirement income. However, they remain confused about how to explore this option, mirroring their general confusion and limited engagement with retirement planning.

For example, they are more likely to expect a pensions adviser (21%) to be able to help them explore unlocking property wealth than a mortgage broker (12%). The same applies to family solicitors (17%) and accountants or tax advisers (13%).

> *"Many older homeowners are potentially interested in property wealth to supplement their retirement income, however remain confused about how to explore this option."*

Who do you believe should be able to help you explore whether accessing the value of your home is suitable for your needs? (Selected answers)

Source: Equity Release Council research among over-55 homeowners, October 2019

These may be natural assumptions, but consumers' views jar with the reality that later life lending products are typically classed as 'home finance' with permissions linked to mortgage advice qualifications.

This points to the challenge of ensuring that diverse professionals are familiar with the increasing range of options available to consumers within later life lending.

Confusion over retirement rules

A lack of clarity also affects many related areas of retirement planning for older homeowners. This has potentially significant implications for how they opt to use their combined wealth and assets in retirement and handle their financial affairs:

- **While 87% are aware they can leave property behind as part of an inheritance, just 27% are aware that DC pension pots are inheritable and just 23% for final salary pensions**
- **Less than half (43%) are familiar with how lasting powers of attorney (LPA) are structured, with two different types of LPA covering health and welfare compared to property and financial affairs**
- **More than one in twenty (6%) do not know whether they own their property as a sole owner, joint tenants or tenants in common**

Conclusion

Our findings show that to meet pensioner aspirations for retirement, a focus on using all available accumulated wealth and assets is important. This is against a background of inadequate retirement savings, increasing daily financial pressures and the death of generous final salary pensions in the private sector.

"...there is significant work to be done to address the pension/property paradox and consign tunnel vision to the past – giving individuals the ability to confidently plan for retirement by considering the full range of their assets."

Homeowners' investment in property over a lifetime of mortgage payments leaves many with a resource that often equals or exceeds the value of their pension savings. At the same time, the option of seeking supplementary income from bricks and mortar is increasingly important as 51% of homeowners aged 45+ see money invested in property as part of their later life financial plans.

However, there is significant work to be done to address the pension / property paradox and consign tunnel vision to the past – giving individuals the ability to confidently plan for retirement by considering the full range of their assets. This places challenges on both consumers and advisers who have to plan for good outcomes over increasingly long lives in retirement.

Recommendations

Giving people the confidence to make the right choices with their assets – aided by suitable guidance and specialist advice – will equip them for retirement with a better understanding of how and when to act, with a clearer picture for their years ahead and their likely needs.

The Equity Release Council recommends:

- The Money and Pensions Service (MaPS) should signpost retirees to consider home finance options and later life lending products as part of a joined-up retirement planning approach – promoted via a public information campaign. This should include tailored guidance based on people's life experiences and circumstances – recognising the impact of events such as divorce, separation and caring responsibilities on individuals' retirement prospects.

- The Department for Work and Pensions should build on the Pensions Dashboard initiative to facilitate a broader retirement dashboard that supports a holistic view of all assets and options.

- The Financial Conduct Authority, should continue to see how best to break down silos within the regulatory framework, which create an increasingly artificial separation between specialist forms of advice and contribute to consumer safeguards in different areas of the later life market. The industry needs to lead the way on this by building stronger referral pathways to break down these silos. This will ensure consumers consider the full range of available products based on their current and future needs, whatever their entry point to retirement planning conversations.

- The adviser community needs to come together to aid learning and the passing on of experience to meet growing consumer demand. This includes working with regulators and qualifications bodies to embed and promote minimum standards of knowledge across the entire retirement income and later life lending space.

- Government should appoint a Minister for the Elderly, who can ensure broader social and financial issues are recognised and co-ordinated across all Government Departments.

- 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.

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 2,009 UK homeowners aged 55+, carried out by Censuswide in October 2019. Censuswide abides by and employ members of the Market Research Society which is based on the ESOMAR principles. While care is taken in the compilation of the report, 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 UK equity release sector with over 400 member firms and nearly 1,200 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 500,000 homeowners have accessed over £29 billion 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 Group, Key is the UK's largest specialist equity release broker – committed to high levels of customer service and the belief that 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 is rated **'Excellent'** on Trustpilot, with a score of 4.9 out of 5 – based on over 15,000 reviews.

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

Equity Release Council

The Pension / Property Paradox:
moving beyond tunnel vision in retirement planning

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