

CP21/11: The Stronger Nudge to Pensions Guidance

Response from the Equity Release Council

OVERVIEW

The Equity Release Council is committed to ensure that releasing property wealth is widely understood – whether for funding care, supporting family members, enriching lifestyle, or achieving peace of mind while people enjoy a financially secure retirement. For many people, their homes represent their largest asset (£261,000 May 2021, Halifax) and property wealth can play an important role to supplement inadequate savings over increasingly longer retirements. Accordingly, the Equity Release Council fully supports the Financial Conduct Authority's (FCA) thrust towards a greater take up of Pension Wise Advice. **However**, without adequate financial and retirement planning advice there is a risk that property wealth may be overlooked. Therefore, **we believe it is vital that all Advisers are fully aware of the role that Property Wealth can play in retirement planning and that this should always be fully considered when considering pension take-up options.**

ABOUT THE EQUITY RELEASE COUNCIL

The Equity Release Council is the representative trade body for the UK equity release sector with over 600 member firms and around 1,500 individuals registered, including providers, funders, 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 530,000 homeowners have accessed over £32bn 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 the debate about the value of housing wealth in later life and retirement planning.

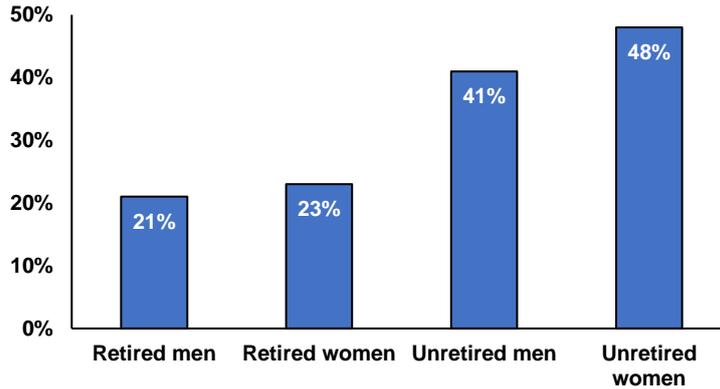
BACKGROUND

Over the last two years, the Equity Release Council published two reports looking at trends in older homeowners' retirement financial plans and, in particular, confidence levels of those approaching later life.

The latest report ¹ revealed that the proportion of homeowners aged 55+ worried about running out of money in retirement has jumped to over a third (34%), up from 27% a year earlier (and prior to the pandemic). Notably, these concerns are rising fastest among men, up nine percentage points over the last year to 32%. However, women who are still working remain the most anxious (48%) – the highest proportion of any group in the study.

The research also highlighted that women feel they have less power over choosing when they can retire. Less than half (41%) of women still working are confident they will be able to afford to choose when they retire, compared to a majority (56%) of men still working.

Proportion of people worried they will run out of money in retirement



Low retirement confidence levels can be partly attributed to the wide gender pension savings gap. Office for National Statistics (ONS) data shows the value of women’s pension savings can be up to 40% less than men, highlighting the struggle to maintain living standards in retirement.

There is no doubt that the coronavirus pandemic has dented many people’s hopes of achieving a comfortable retirement. Almost a third of women still working over the age of 55 (29%) expect to have a less comfortable retirement than their parents. This compares to 21% of men aged 55+ who are yet to retire.

As concerns about health are weighing heavily in the current climate, the research found that 48% of older homeowners are worried about falling ill and having to pay for care, up from 39% a year earlier. Nearly one in four (24%) are worried about having to sell their home, up from 18% last year. Women are most affected by this concern (26% vs. 21% of men).

Indicators of retirement confidence among homeowners aged 55+

	Q4 2019	Q3 2020
Worried about falling ill and having to pay for care	39%	48%
Worried about running out of money	27%	34%
Worried about not knowing how much they are going to need in retirement	22%	27%
Worried about having to sell their home	18%	24%

We do know that the majority of older homeowners want to live in their property for as long as they can. Property wealth can play a key role in realising this ambition.

The disruption to the UK labour market caused by coronavirus has acutely impacted older workers, as a record 90,000 people aged 50+ were made redundant between June and September 2020. Steep income falls will hit older workers’ retirement savings as they focus on paying for daily living costs rather than saving for retirement.

Our research shows this is already starting to happen, as more than one in 10 (12%) women over the age of 55 have stopped saving altogether as a result of the pandemic, as have 8% of men.

Impact of the pandemic on older homeowners' savings habits

	All	Male	Female	Retired	Non-retired
I'm having to use up some of my savings to support myself	10%	10%	10%	7%	14%
I've had to stop saving altogether because I can no longer afford to	10%	8%	12%	5%	14%
I'm having to use up some of my savings to support family/friends	6%	5%	7%	5%	7%
I've had to postpone my plans to retire	4%	4%	3%	0%	9%

However, the findings also show that, despite greater concerns about the ability to fund retirement and lower pension savings, women who own their own home are less likely than men to consider using later life lending products – such as lifetime or retirement mortgages – as an alternative source of money to support their income in retirement (23% vs 31%).

RECOMMENDATIONS

- The Equity Release Council supports the FCA's proposal to encourage the use of free impartial advice that is available to help consumers make informed decisions about the options available to them.
- We support the thrust to make taking Pension Wise guidance a natural part of the consumer journey when consumers decide how to access their pension savings.
- We feel that that Pension Wise should take a holistic overview to financial planning in later life, recognising the importance that property wealth can play in supplementing inadequate retirement savings. Pension Wise should recognise the positive effect that Equity Release can provide consumers by supporting a more comfortable financial and healthy retirement; their ability to realise their ambition to live in their properties for as long as possible and the stimulating effect it has on the UK economy must not be overlooked.
- Pension Wise should therefore signpost retirees to consider home finance options and all later life financial solutions as part of a holistic retirement planning approach.

Contact: If you would like to discuss any aspect of this further please contact Simon Posner Simon.posner@equityreleasecouncil.com. 07798 765471

¹<https://www.equityreleasecouncil.com/wp-content/uploads/2020/11/Equity-Release-Council-Key-Pensions-Property-Report-Part-2-Final.pdf>