Equity Release Council

Home advantage

Intergenerational perspectives on property wealth in later life

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Contents

Foreword

It is 30 years since the Equity Release Council's founding members first established consumer-focused standards for equity release products, helping over-55 homeowners to safely access the wealth accumulated in their homes.

Over the past three decades, the market has undergone a practical and reputational transformation, as equity release has become increasingly flexible and trusted as a socially valuable means for older consumers to meet a range of financial goals – from funding one-off expenses such as home improvements to supporting daily living standards and providing help to younger generations

Two in five homeowners (40%) agree it is becoming more acceptable to have a mortgage in later life.

One of the most notable trends has been the gradual convergence of equity release with more conventional mortgage lending. Lifetime mortgages have become more varied and adaptable, with new protection features, while the introduction of Retirement Interest-Only (RIO) mortgages allows older borrowers who can afford interest payments for the duration of their loan to make these until they pass away or move into a care home.

Wider access to flexible equity release and retirement lending products is being driven by consumer demand, which is itself a result of far-reaching changes to the later life landscape. As the Council approaches its 30th anniversary, this report assesses the life experiences and expectations of multiple generations, with particular focus on two cohorts:

- **Adults in their sixties today, born between 1952 and 1961,** many of whom have spent the last three decades engrossed in work and family life before looking towards retirement.
- **Adults in their thirties, born between 1982 and 1991,** whose early experiences of adulthood are in many ways unrecognisable compared to those of their parents' generation.

We identify 10 key trends that have altered the financial landscape over the past three decades and explore whether these trends are likely to reverse, continue or even intensify. Five affect people's pension provision and five affect property ownership and its financial implications.

Nearly half (47%) of homeowners in their 60s – and 57% across all ages – would be interested in accessing money from the value of their property in later life.

As property and pensions form the bedrock of personal financial security for the majority of households, the long-term shifts we outline have profound implications for how people will fund their later life ambitions, both now and in the future. With that in mind, we invite expert views from providers, financial and legal advisers on the road ahead, as industry propositions and the policies governing them evolve to support our ageing population.

There is no sign of the pace of change slowing down in the post-pandemic world, and this looks set to heighten the role of property in supporting a financially secure retirement. Today's thirty-somethings face a less certain financial outlook than earlier generations, and if current trends continue, they are likely to find an increasing need to boost their retirement income from other sources.

As a result, for those who manage to buy their own home during their working lives, the financial flexibility this should provide in retirement may be even more critical to their financial wellbeing than it is today.

These findings will inform our ongoing work with industry, regulators and policymakers on solutions that deliver good long-term outcomes for consumers and provide the choice and security needed so more people can savour the experience of longer lives.

David Burrowes,
Chair of the Equity Release Council

Executive summary

The far-reaching trends that have made property wealth a key addition to many people's retirement income today look set to make it an even more important building block of financial wellbeing in later life for future generations.

People are living and working longer with more choice and responsibility to fund their later years. Those who own their own homes are borrowing larger sums for longer and building considerable equity in the process. Perceptions of debt in later life are changing as a result, and property wealth is transitioning from having been an 'emergency fund' to becoming an enabler of personal and family life ambitions and financial goals.

This fundamental shift means later life products, advice, financial education and policy must keep evolving to build on recent innovations and meet consumers' changing needs. It also highlights the importance of Government delivering its pledge to help Generation Rent become Generation Buy – including the use of equity release as a means for older homeowners to pass on living legacies to younger generations.

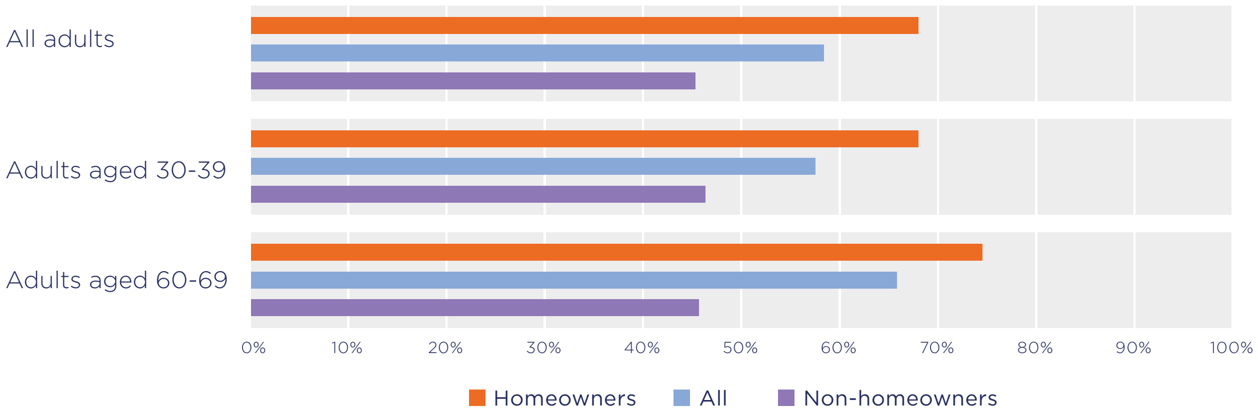
Our key findings show:

- **Greater job mobility and flexibility has come at the cost of workplace security, putting extra barriers between people and the accumulation of good pension rights or assets despite the benefits of auto-enrolment.** Almost half (49%) of people in their thirties have already had five or more jobs in their careers – almost as many as those in their sixties (55%) over a much longer period of time.
- **Today's low interest rates, if they continue, will make it very challenging for thirtysomethings to build an adequate pension income, although they make mortgages and home ownership more affordable than renting for those who can clear the deposit hurdle.** Nearly half (48%) of mortgaged homeowners say they save more because their loan is cheaper than renting.
- **For every £1,000 the average employee earns in their final salary before retiring, they can expect just £150 from a defined contribution (DC) pension compared with £670 from a defined benefit (DB) scheme.** With 57% of homeowners interested in accessing money from the value of their property in later life, one in six (16%) homeowners want to do so to boost their pension income, with the appeal strongest among the under-50s.
- **Today's retirees began their retirement at an average age of 61, but over-50s who are still in work imagine theirs will be delayed until 67.** The state pension age is already set to reach 68 before 2040, yet half (50%) of people in their thirties expect it will increase further by the time they retire, while 46% worry the state pension might not even be available to them.
- **Faced with the decline of final salary pensions and greater personal responsibility to save for longer lives, the benefits of owning your own home in later life are likely to be even more significant for future generations.** More than two in three homeowners (68%) are confident about their financial future, compared with fewer than half (45%) who do not own their own home.
- **One in five (20%) people in their sixties are already using pension savings to pay off their mortgages, despite concerns over exhausting their pots too rapidly.** Even more people in their thirties (28%) expect to do so. Yet while the majority of homeowners think it is important to be mortgage free by the time you retire, one in three (32%) of those with a mortgage are not sure they will achieve this.
- **Instead, perceptions are changing over the role of property wealth in funding retirement.** People in their thirties are almost twice as likely to agree than disagree (29% vs. 16%) that having a mortgage in later life can be a positive step that provides more financial freedom and flexibility. Among homeowners in their sixties, nearly two in five (38%) view their mortgage as an investment in their future because they have built up an asset over time.

- **Two in three (66%) people in work believe owning their own home will improve their financial prospects in retirement.** At today's mortgage rates, homeownership could deliver a financial advantage of £326,000 over thirty years compared with renting, even without the potential added benefits of rising house price or extra savings returns.
- **One in three (34%) homeowners already think it is becoming more acceptable to have a mortgage in later life.** Far more (57%) are interested in accessing money from the value of their property in later life. However, many are confused about their options: three in five (61%) people in their sixties are unsure if there are any differences between lifetime or retirement mortgages.
- **With first-time buyer numbers estimated to be 2.7 million below expectations since 2008, nearly half (46%) of homeowners in their thirties have relied on financial help from family or friends.** With many not expecting to receive an inheritance until their mid-40s to 60s, the option of gifting a living legacy by accessing property wealth through equity release or a later life mortgage looks set to grow in importance. More broadly, decisive action is needed to address the fact that, among thirtysomethings who are not yet homeowners, 49% already feel this goal is unrealistic.

At a glance

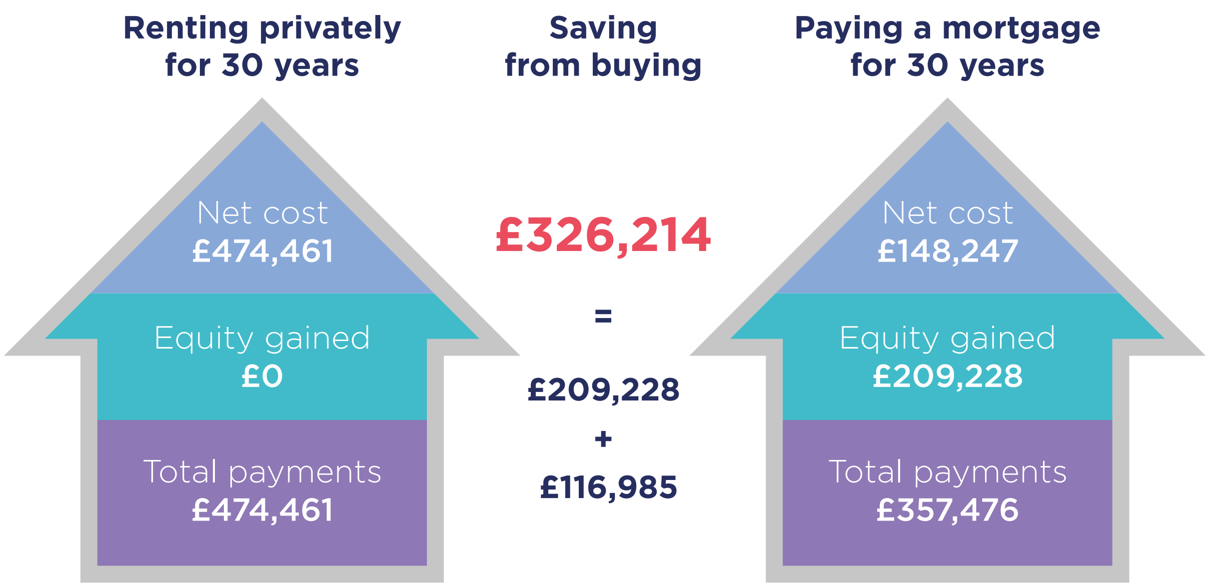
Levels of financial confidence about the future



The impact of changing pension provision on retirement incomes

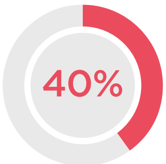
See page 16 for methology.

Cost of homeowning and renting privately for 30 years



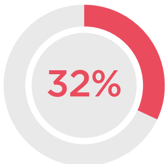
See page 32 for methodology.

Perspectives on property wealth in later life

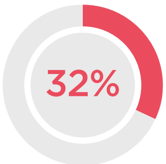


Homeowners who think it's becoming more acceptable to have a mortgage in later life

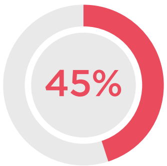
People in their sixties using pension savings to pay off their mortgages



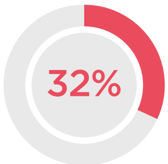
Homeowners who see a mortgage in later life as a means to improve their lifestyle



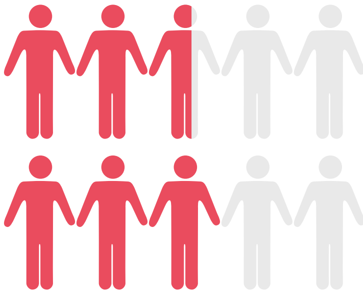
Homeowners who see a mortgage in later life as a means to provide help to family



Homeowners in their thirties who bought "much later" than they expected



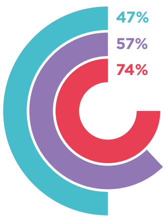
Homeowners who see their mortgage being like an investment in their future



57%

Homeowners interested in accessing money from the value of their property in later life

Top five reasons why homeowners are interested in accessing money from the value of their property in later life



The percentage interested in accessing money from the value of their homes in later life

- Homeowners aged 60-69
- All homeowners
- Homeowners aged 30-39

All homeowners

1. To boost my pension income and savings
2. To pay for care support at home, rather than moving into a care home
3. To pay for holidays or travel
4. To gift money to younger family members towards a deposit for their first home
5. To gift money to younger family members to help towards other financial goals

Homeowners aged 30-39

1. To boost my pension income and savings
2. To gift money to younger family members towards a deposit for their first home
3. To pay for home or garden improvements e.g. an extension
4. To pay for care support at home, rather than moving into a care home
5. To gift money to younger family members to help towards other financial goals

Homeowners aged 60-69

1. To boost my pension income and savings
2. To pay for holidays or travel
3. To pay for care support at home, rather than moving into a care home
4. To gift money to younger family members to help towards other financial goals
5. To pay for home or garden improvements e.g. an extension

Equity Release Council

Trends impacting pension provision

Trend 1:

The decline of the job for life

The shift away from secure jobs with long tenures to less secure employment and self-employment with greater job mobility

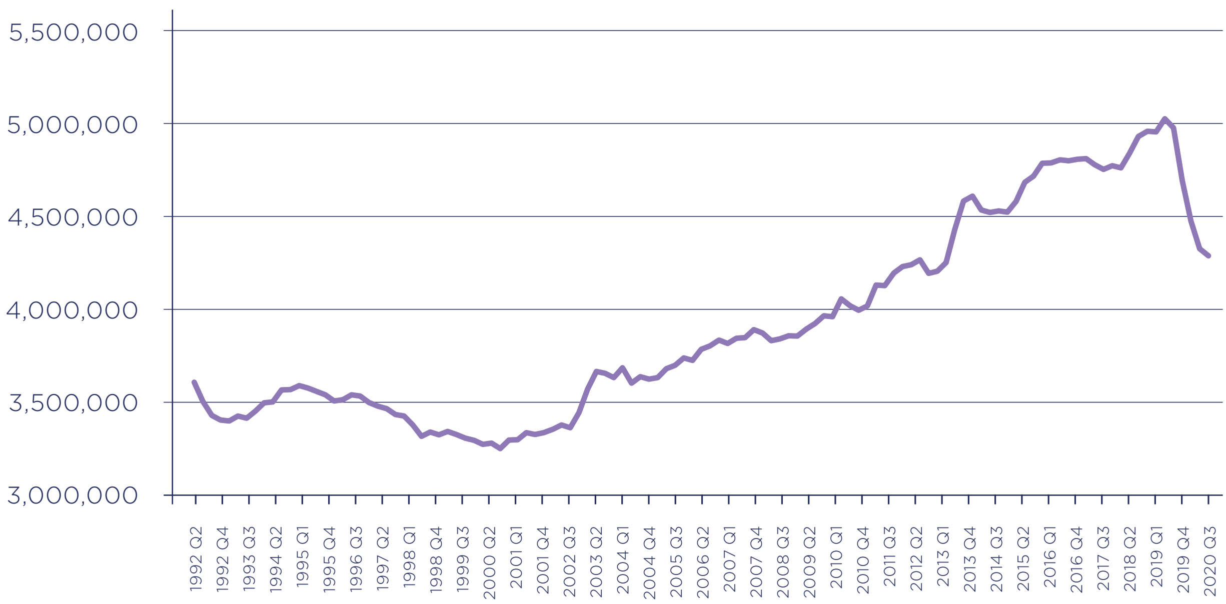
At a glance:

- The Covid-19 pandemic is likely to accelerate the rise of an automated economy
- Higher job mobility may negatively impact pension pots
- Modern workers will have lower pension income on average than some earlier generations, increasing the need for other sources of funds

Perhaps the most significant workplace trend over recent decades has been the shift from stable long-term employment with relatively low labour mobility, to increased labour mobility with less secure forms of work. This can be seen in the average number of job moves in different age groups, and the fact that while 65% of people in their sixties say they have enjoyed secure employment throughout their careers, only 53% of people in their thirties say the same – even at a relatively early stage in their working lives.

Nearly half (49%) of people in their thirties have already had five or more jobs in their career – almost as many as those in their sixties (55%) who have experienced the same over a much longer period in work.

Chart 1 – Number of self-employed workers in the UK



Source: ONS

But even those in their fifties and sixties have experienced greater job mobility than previous generations. While today's workers often prefer greater job movement, employers have also sought greater flexibility. This has resulted in wider use of short term and zero-hours contracts, outsourcing of some service roles, such as cleaning or catering, and a rise in self-employed workers (see Chart 1).

Today's workplace reflects employers' desire for a flexible workforce in the face of competitive pressure brought about by globalisation and technological change. But workers have found they can also benefit from labour mobility as, each time they test the market, they gain valuable information about their value with the potential to increase their salary. Data from technology firm Legal Technology Solutions suggests every job move gains an employee an 8-10% pay rise on average. An increased number of job moves and the declining availability of permanent employment have made it harder for many of today's 60 to 69-year-olds to build adequate pension provision over their working lives, and the same for the generation immediately below them.

One in 10 (10%) people in their sixties have struggled to find secure employment and changed jobs frequently. The same percentage (10%) say their employment history has made it harder to keep up with paying their mortgage.

However, those in their thirties have been even more affected, with 31% struggling for secure work and 25% finding it hard to keep up with mortgage payments as a result.

Long-term employment with a single employer can often provide a superior pension because the employee will have a single pension which can be more efficient than having numerous smaller pensions in different schemes, while the growing workforce of the self-employed need to make their own provisions.

Despite the impact of Covid-19 on overall employment, the number of people aged 65+ who are still in work has increased from less than 500,000 in 2000 to more than 1.3 million in 2021 (11% of this age group), with this trend pre-dating the abolition of the default retirement age in 2011. Inadequate pension provision is one of many factors at play.

But today's 30 to 39-year-olds have been impacted more profoundly. Most of this generation entered the labour market in the 2000s, when the transition to less secure employment was well underway, and the financial crisis of 2008/9 had a greater impact on workers in the early stages of their careers.

Will the trend towards greater job insecurity continue over the next three decades and what impact might this have on retirement provision?

Perhaps the greatest driver going forward will be technology as advances in artificial intelligence open up the possibility of replacing an increasing range of roles. The widespread shift to remote working brought on by the Covid-19 pandemic will also accelerate the move to a digitally automated economy.

Among those in employment, 24% of people in their thirties feel their job security has increased since the Covid-19 pandemic broke out, while 21% feel it has suffered.

Despite the advances in working practices that greater automation will bring, concern over roles being made redundant is feeding into short-term job insecurity. Yet there are also signs that accelerated change resulting from the pandemic may open up new opportunities for people to progress in their careers.

Nearly two in five (36%) workers in their thirties say pension provision is a key factor in staying with their current employer, compared to 28% in their sixties.

This suggests today's 30 to 39-year-olds will have to be even more flexible and agile in how they approach their careers, learning new skills as the workplace evolves, pointing to even less job security in the coming decades.

Given the difficulties that high job mobility imposes on the accumulation of good pension rights or assets, it must be a concern that the shortfall in pension income in older age groups is set to become more acute in the coming decades. On the other hand, the breadth of workers with a pension will be higher because of auto-enrolment, the statutory requirement for employers to provide a pension for employees earning at least £10,000, which has been phased in since 2012. Workers in their thirties today will benefit more than their elders because they will have more time to accumulate a reasonable pension pot.

However, the level of contributions required by auto-enrolment is not sufficient to provide a comfortable retirement. Based on neutral assumptions, we estimate such a pension would provide a guaranteed income of only 15% of final salary after 40 years of work. This suggests thirtysomethings are likely to face lower pension income on average than earlier generations, increasing the need for other sources of funds, of which property equity is likely to be the most significant.

Trend 2:

The price of retirement income security

Reduced interest rates and investment returns demand a large savings pot to support a set retirement income

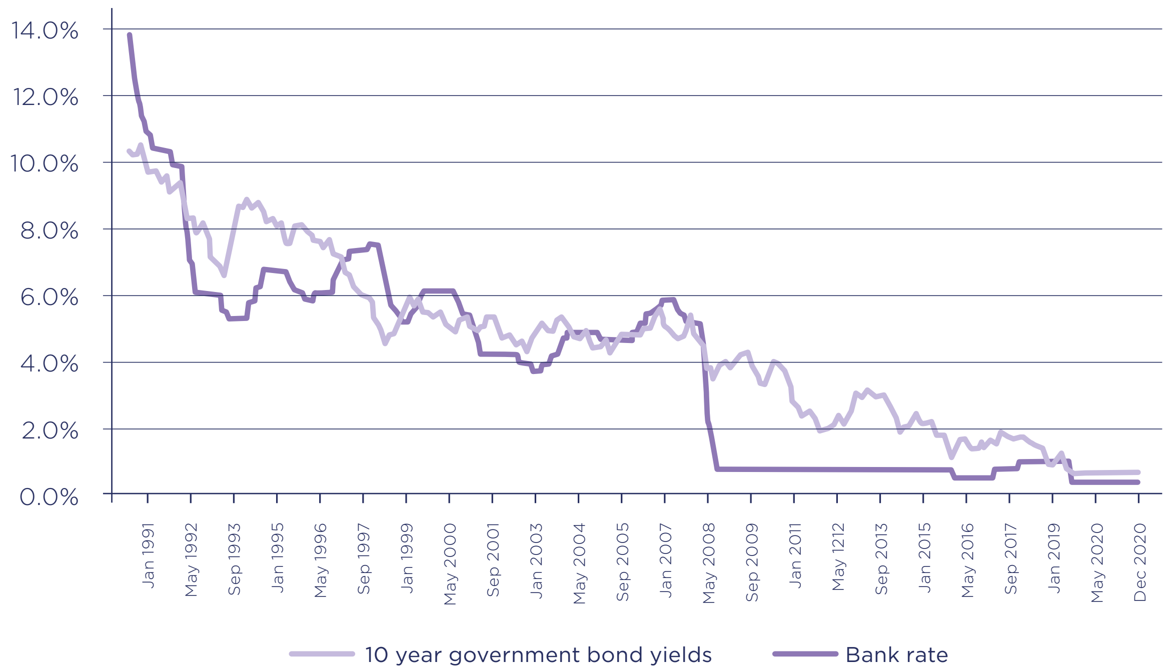
At a glance:

- Interest rate squeeze has impacted pension pot growth
- Falling yields on Government bonds drives shift from DB to DC pensions
- Continually low interest rates will challenge thirty-somethings to build an adequate retirement income

One of the most marked and sustained trends of the past 30 years has been the decline in nominal interest rates across developed economies. This applies to both central bank policy rates, such as Bank Rate in the UK, and long-term bond yields as can be seen in Chart 2.

In 1991, the Bank of England base rate was 14% and 10-year Government bonds yielded more than 10%. In contrast, at the start of 2021, the base rate was at a record low of 0.1% and the yield on 10-year Government bonds had fallen to 0.3%, although gilt yields have risen somewhat since.

Chart 2 – 10-year UK Government bond yield and Bank Rate



Source: Bank of England

The significance of this trend can hardly be overstated as these benchmark interest rates are the chief determinants of borrowing costs for companies and individuals, as well as having a powerful influence on broader investment returns. For example, equity yields have fallen, though not as much as interest rates, meaning even pensions invested overwhelmingly in equities are affected by this phenomenon. Declining interest rates reflect both the sustained decline in inflationary pressures in the global economy and lower real (inflation adjusted) rates.

Both trends have roots in the same economic phenomena, as countries such as China expanded manufacturing capacity and exports hugely after the end of the Cold War. These new sources of low-wage manufacturing drove down the prices of basic goods in developed countries while much of the cash that flowed into countries like China was saved or reinvested abroad, pushing real interest rates down (see Chart 3).

The shift from high to low interest rates has had a profound effect on pension provision. For pension funds obliged to provide customers with a guaranteed income in retirement, Government bonds have typically formed a substantial proportion of assets. As their yield has fallen, the amount of capital required to support a given retirement income has increased, leaving DB pension funds in deficit and putting downward pressure on annuity rates.

This has contributed to the shift from DB to DC pensions seen over the past 30 years alongside higher life expectancy, regulatory changes and the desire of fund sponsors to reduce the risk of meeting DB pensions. It has also reduced the retirement income of new customers purchasing an annuity or guaranteed income for life. Most sixtysomethings in the private sector have been transferred from DB to DC pensions, which has reduced their expected retirement income compared to previous generations, although many still benefit from DB pension rights accumulated earlier in their careers.

For thirtysomethings, the long-term shift is more challenging. Most who work in the private sector will have missed out on DB pensions altogether, although auto-enrolment has broadened the range of employees who have a pension, including any part-time or contract workers earning at least £10,000.

People in their sixties are noticeably more confident about their financial future if they have DB (74%) compared with DC pensions (66%).

However, the confidence gap between homeowners (74%) and non-homeowners (46%) is three times as wide.

Chart 3 – Real (RPI adjusted) 10-year UK Government bond yield

Source: Bank of England, ONS

Are interest rates set to remain at today's low rates or can we expect a reversal of the trend of the past 30 years?

Interest rates are now close to a practical minimum rate. While both policy rates and longer-term Government bond yields have been negative for some time, in Japan and the Eurozone there is a natural limit on how low rates can go as money can be held in note form to avoid negative interest.

If the current economic environment of excess supply and high savings in countries like China continues, we can expect real and nominal rates to stay low. It is possible a new paradigm will emerge if higher global private sector demand pushes inflation and real returns up – perhaps driven by changing demographics, as more people move into retirement and start to draw on previous savings to support their lifestyles.

As the world recovers from the Covid-19 pandemic, there are clear signs that inflation is picking up but this could be a transitory phenomenon. Experts have repeatedly been surprised by how low interest rates have fallen and it would be a brave decision to count on a resurgence of real or nominal returns to support future retirement income.

More than one in three (35%) adults in their thirties are not confident about their financial situation for the future.

Nearly half (46%) who have bought their own home have relied on financial help from family and friends to do so.

For today's 30 to 39-year-olds, a continuation of low interest rates will make it very challenging to achieve an adequate pension income. With the majority having started their working lives in the 2000s, they missed out on much of the rise in asset prices associated with the transition from high to low interest rates and face having to accumulate a large pension pot to generate a retirement income to compare with previous generations.

For example, if annuity rates do not improve, a single 35-year-old hoping to retire with a guaranteed RPI-linked annual pension of £10,000 in 30 years would need a pension pot exceeding £360,000. Coupled with a state pension of £9,110 – currently the full 'new' State Pension amount – this would bring them to within touching distance of the £20,200 needed for a 'moderate' retirement lifestyle, according to the Retirement Living Standards published by the Pensions and Lifetime Savings Association (PLSA). But crucially, this makes no allowance for housing costs continuing in later life (either mortgage or rent) or care-related costs should they arise.

To boost future standards of living, a return to higher real investment returns would be more help than higher inflation, which would most likely alter nominal returns while leaving real pension values largely unchanged.

Trend 3:

The handover of retirement funding responsibility

The DB-DC pension transition with retirement funding responsibility transferred from employers to employees

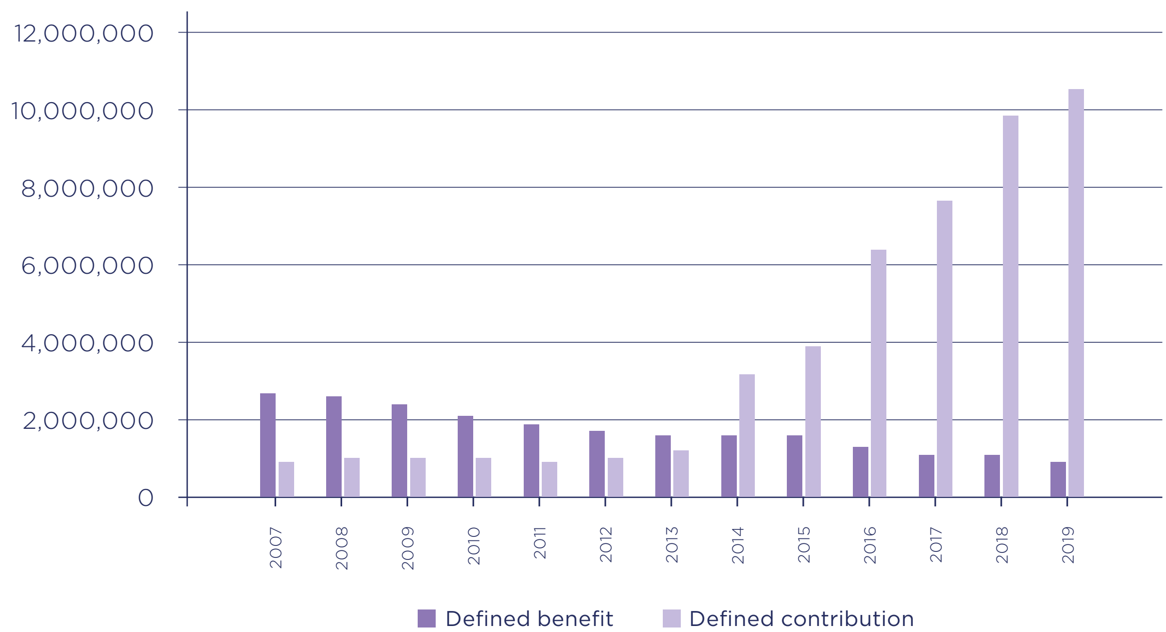
At a glance:

- DC pensions dominate as private sector employers unwilling to shoulder the cost of reduced investment returns
- For every £1,000 a typical employee received in their last annual salary, they could expect £670 from a DB pension in retirement but just £150 from a DC scheme.
- Pandemic could yet put public pension provision up for debate as Government looks to recoup costs

Since 1991, the cost of providing the guaranteed income in retirement of a DB pension has increased substantially as a result of rising life expectancy and reduced investment returns. In response, most private sector employers have closed their DB schemes and moved employees into DC schemes. Between 2007 and 2019 alone, the number of staff in a DB pension fell from 2.7 million to 900,000 (see Chart 4).

However, thanks to the statutory requirements of auto-enrolment, the number of DC pensions has rocketed to more than 10 million – broadening the range of workers who can expect some pension income in retirement.

Chart 4 – Number of staff in DB and DC pensions



Source: ONS

Not only has this trend shifted investment risk onto employees – creating uncertainty as to what income they can expect in retirement – but employers have taken the opportunity to reduce contributions, lowering expected retirement incomes as a result. To illustrate the shortfall in pension facing DC scheme members, it is worth comparing the expected pension income of the same employee in a DB or DC scheme for life.

One in six (16%) homeowners are interested in accessing money from their property in later life to boost their pension income.

This desire is visibly stronger among the under-50s (17%) than those aged 65+ (12%).

We assume an employee works for 40 years until their retirement aged 65 with earnings equal to the average full-time income for each corresponding age group as they get older, boosted by 3% a year to reflect future nominal wage increases. With pension contributions of 8% and investment returns of 5%, in a DC scheme this employee will retire with a pension income worth 15% of their final salary, less than a quarter of the 67% they would receive in a DB scheme (see Table 1).

Put simply, for every £1,000 this employee received in their final salary, they could expect £670 from a DB pension in retirement but just £150 from a DC scheme.

Once again, the thirtysomethings have been hit harder by this trend. Many 60 to 69-year-olds still have years or even decades of DB scheme membership under their belt, while most 30-to–39-year-olds in the private sector have only known DC schemes.

Table 1 – Projected DB and DC pension income in retirement

	2% average inflation		4% average inflation	
	DB pension	DC pension	DB pension	DC pension
Nominal	£60,451	£13,520	£127,977	£28,676
In real terms	£27,925	£6,246	£27,722	£6,212
As % of final salary	67%	15%	67%	15%

Assumptions: worker with 40 years of employment on average wage segmented by age group over lifetime with additional annual wage increase of 3% and 5% respectively. Retires at 65. Nominal investment returns are 5% and 7% respectively. DC pension used to buy a single life RPI-lined annuity with 5 year guaranteed income at age 65.

Can we expect to see a further erosion of DB pension provision over the next 30 years?

Few private sector firms have maintained DB pensions given the increased cost of provision, but they remain common in the public sector. Even if real interest rates reverse their long-term decline, it seems unlikely that firms will want to re-establish DB pensions because they place the risk of investment underperformance on the employer.

Since DC pensions fix the cost to employers, they offer a significant financial advantage regardless of the broader economic environment. The new collective DC schemes legislated for in the Pension Schemes Act 2021 could enhance their appeal. It therefore seems likely that DB pensions will continue to become rarer in the private sector going forward. As a result, thirtysomethings working in the private sector need to be aware of the risk their pension income will disappoint relative to today's retirees.

With pressure on Government finances taken to new heights by the Covid-19 pandemic, public sector pension provision may yet become a new battleground as future Governments seek ways to reduce expenditures by switching staff from DB to DC pensions. However, this would be highly controversial, which speaks to the plight facing private sector workers. If the public sector were to move away from DB schemes, even more thirtysomethings would face an uncertain retirement income.

People in their thirties are more likely to agree (29%) than disagree (16%) that having a mortgage in later life can be a positive step that provides more financial freedom and flexibility.

This reverses the trend among today's 60 to 69-year-olds, where 21% agree while 24% disagree.

Trend 4:

The legacy of pension freedoms

Changing pension regulations exchange stable incomes for freedom and choice over how and when to spend

At a glance:

- Pension freedoms delivered financial flexibility, but long-term impact is still uncertain
- Growing case for property and other assets to form part of holistic retirement planning
- Global stock markets have performed well to date but provide no future guarantees

The announcement of pension freedom in the 2015 budget by then Chancellor George Osborne was a watershed for retirement provision. Pension freedom has put more emphasis on the individual to plan their retirement finances. Pensioners can now spend their pot as quickly as they like, but at the risk of depleting their funds during retirement. Given this shift, good outcomes are likely to be dependent on consumers accessing guidance and regulated financial advice to help manage their new-found responsibilities.

For people in their sixties with a mixture of DB and DC pensions, the cushion of some guaranteed income helps provide a base level of income to cover essential expenditure, but for others who are dependent entirely on DC pension pots, the risk of running out of funds in retirement is more real, although this can be ameliorated by using part of a DC pot to purchase a guarantee income for life to cover basic future expenditure such as utilities.

More than one in four (26%) people in their sixties are worried about using up their pension savings too quickly in retirement, rising to 29% of women.

Recent FCA data shows 42% of DC pension holders have been withdrawing funds from their pots at a rate of more than 8%, a level that is unlikely to prove sustainable through a normal retirement.

However, the majority of these withdrawals were from pension pots of less than £100,000. As many of those withdrawing money will also have DB pensions or other DC pots, this may not be too much of a concern. In contrast, 53% of pots of £250,000 or more saw withdrawal rates of less than 4%, which is generally regarded as sustainable.

More than one in six (17%) retirees started accessing their pension savings before they actually retired.

While one in five (20%) people in their sixties are using pension savings to pay off their mortgages, even more people in their thirties (28%) expect to do the same in future.

Nonetheless, pensioners' uncertainty about future investment returns and their individual life expectancy make it very difficult to know what is a sustainable rate of withdrawal from a DC pension pot. In practice, this means many may leave behind substantial sums in their pension, which will be available to their heirs.

As a result, the traditional mindset of spending your pension and passing on your home is being questioned, not least because the inheritance tax treatment of pension pots is more favourable under certain circumstances. It increasingly makes sense for homeowners to take a holistic approach, considering pension, property and other assets together when planning for retirement and inheritance.

Is it possible that retirement regulations will swing back to putting more emphasis on pensioners having a stable income in later life?

Government has a vested interest in ensuring pensioners have an independent income, because it reduces the potential financial burden on the state. This logic lies behind the generous tax breaks given to pension saving and it was the reason why regulation previously required DC pension pots to be converted into a guaranteed income for life via an annuity. There are, therefore, risks to Government with pension freedom if too many retirees choose to spend their pots quickly.

If interest rates remain low, we are unlikely to see a marked improvement in annuity rates, especially with life expectancy predicted to keep rising. As a result, the stable income annuities offer may not look attractive enough to convince retirees to convert their whole pension pot, and it would be politically challenging for Government to reimpose this requirement.

However, over the past three decades, corporate profits have increased healthily and global stock markets have performed well, so investors are used to seeing the value of their investments rise. Such a scenario cannot be guaranteed in the future and if we do enter a period when corporate profits come under pressure and stock markets fall, the disadvantages with pension freedom will become more apparent.

Faced with less pension income certainty than previous generations, almost two in three (62%) workers think owning their own home will improve their financial prospects in retirement – rising to 76% of homeowners.

Younger generations are more open-minded about how to use their assets in later life and less tied to traditional ideas of inheritance.

While over-40s are twice as likely to plan to pass on property than pension savings (39% vs. 18%), under-40s' views are more evenly balanced (42% vs. 38%).

Japan over the past 30 years provides a sobering example. After a long period of falling share prices, the Nikkei stock market index did not regain its 1991 level until November 2020. In such a scenario, the benefits of a guaranteed income will be more apparent. Nonetheless, politically it is hard to see a future Government choosing to reimpose constraints on pensioners' decisions about how to use their own DC pots unless pension freedom is shown to produce serious and widespread consumer detriment. So far, this has not been the case.

As a consequence, thirtysomethings are likely to have flexibility in how they use their pension pots. However, referring back to our previous illustration, even if a DC saver withdrew 4% of their pot per annum, the resulting income would only equal a quarter of their final salary, or one third of what a DB pensioner could expect.

Trend 5:

The march of the ageing population

Delayed state pensions reflect rising life expectancy and growing pressure on Government finances

At a glance:

- Increased life expectancy places additional strain on Government coffers
- Further postponement of the state pension age has not been ruled out
- Younger generations concerned state support will reduce before they reach retirement

Rising life expectancy has not only increased the challenge facing private pension provision, but also raised the financial burden of state pension provision. The UK Government recognised the risk that pension payments would constitute a growing share of public expenditure when it was required by the EU to equalise the pension age for men and women through The Pensions Act 1995. This raised the pension age for women to 65, to be phased in between April 2010 and April 2020.

One in four (25%) people in their sixties have struggled to build enough savings to have confidence about their retirement living standards.

Women in this age group are more likely than men to be concerned about using their savings too quickly (29% vs. 25%), and less likely to be able to increase their pension savings as they approach retirement (8% vs. 17%).

This shift has had a serious detrimental impact on thousands of women, in a climate where they have less generous private pension provision and need to fund a longer retirement due to higher life expectancy (see Chart 5) – resulting in a significant challenge to achieve an adequate standard of living in retirement.

Many women have had to continue working for longer than planned to fill the financial gap while any who were unable to continue working – for example, due to ill health, caring responsibilities or lack of job opportunities – will have had to fall back on other sources of funds including private pensions, property wealth via downsizing or later life borrowing.

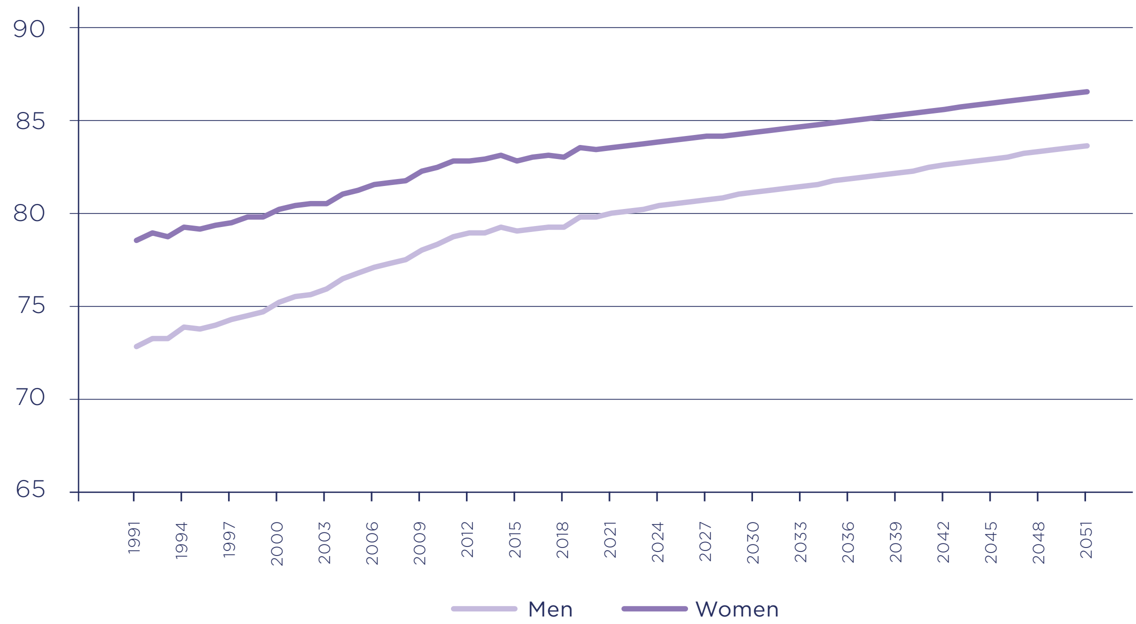
In 2007, the Government announced its intention to go further, raising the state pension age for men and women progressively to 66, 67 and 68. In 2011, the rise to 67 was brought forward from its previous timetable to be implemented between 2026 and 2028. In 2017 the rise from 67 to 68 was also brought forward to occur between 2037 and 2039.

The impact of these more recent changes to the state pension age fall most acutely on younger households. An individual who is currently between 61 and 65 years of age will start receiving their state pension at 66, while someone in their thirties will have to wait until they are 68.

Today's retirees began their retirement at the age of 61 on average.

But those over-50s who are still working imagine their own retirement will not arrive until they reach 67.

Chart 5 – Life expectancy and projected life expectancy rates

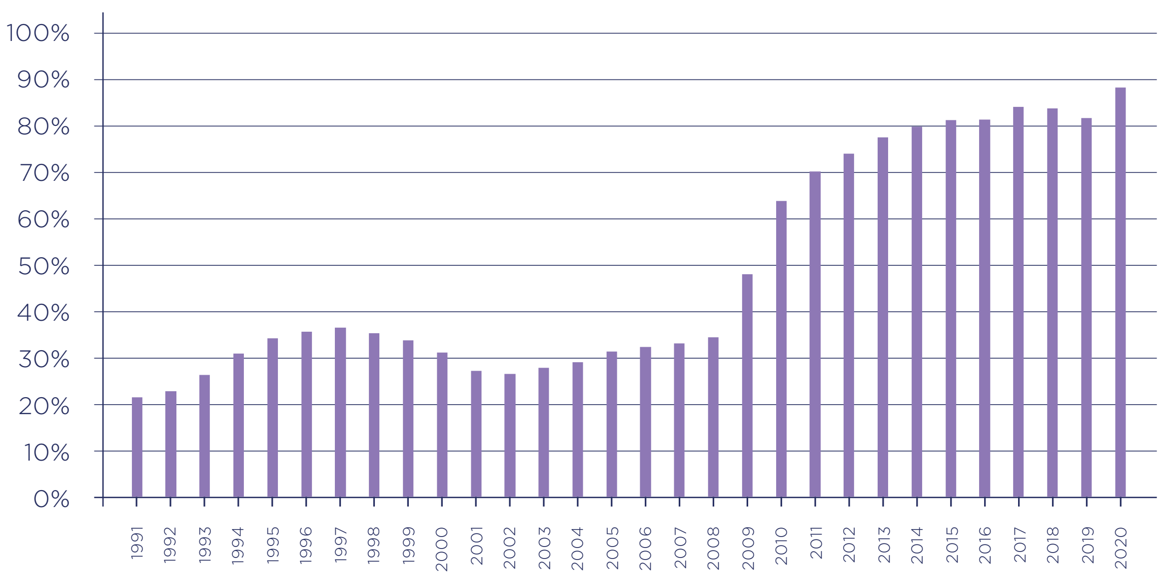


Source: ONS

Will Government be in a position to afford the implicit state pension commitments it has made to future generations?

Following the financial crisis of 2008/9, Government finances deteriorated significantly (see Chart 6), but the lockdown restrictions introduced to combat Covid-19 have caused an even sharper rise in public debt with the deficit for 2020/21 reaching a record £303bn, 14.3% of GDP, taking the Government debt to GDP ratio to 98% by the end of the year.

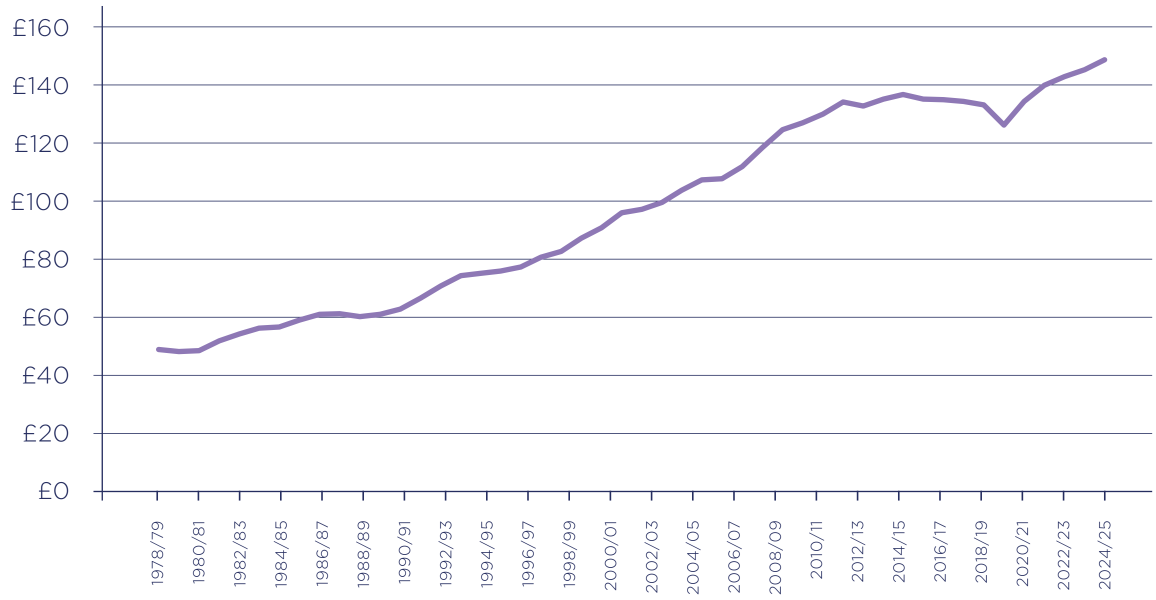
Chart 6 – Government debt to GDP ratio



Source: ONS

With deficits expected to remain abnormally high for the next few years and welfare spending on pensioners projected to rise in real terms (see Chart 7), there is likely to be intense pressure on Government to find new savings. The tax breaks available for private pension provision are one area that many commentators see Government restricting, but further increases in the pension age may have to be considered.

Chart 7 – Welfare spending on pensioners (GB – £ billions in 2020-21 prices)



Source: ONS

However, it is not clear that Government will have to raise the state pension age to stabilise its finances in the coming decades. Although life expectancy is expected to continue rising, the projected rate of increase has been reduced – implying a lower liability compared to earlier estimates. There are other ways that Government can reduce the cost of the state pension. For example, there has been talk of moving away from the triple lock under which the state pension is guaranteed to increase by the highest of average wage growth, price growth (CPI inflation) or 2.5% per annum.

If there is any further increase in the state pension age, thirtysomethings are certain to be affected. Indeed, many younger people are skeptical that the state pension will even be available by the time they retire. Given the uncertain outlook for private pension income for younger people, the fear that state provision may also be delayed is a real cause for concern. Uncertainty will inevitably impact people's and choices of other assets such as property wealth as an additional or alternative source of retirement income.

Half (50%) of people in their thirties expect the state pension age will have increased further by the time they retire, while 46% worry it might not even be available.

Equity Release Council

Trends impacting housing provision

Trend 6:

The high hurdles to homeownership

Delayed entry onto the housing ladder as higher house prices and job insecurity frustrate first-time buyers

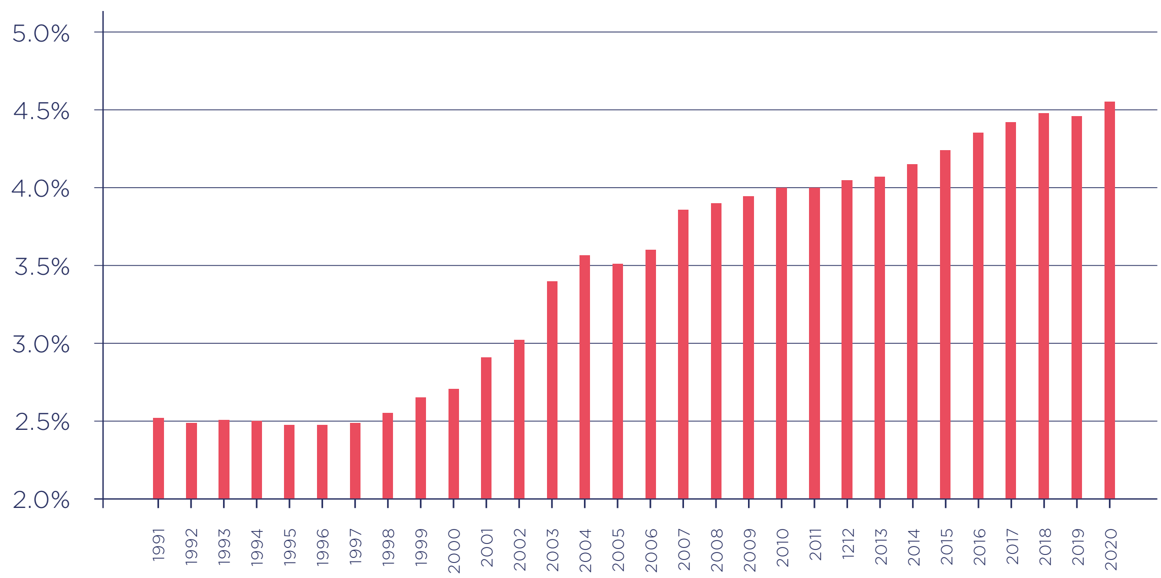
At a glance:

- First-time buyers face affordability squeeze as Bank of Mum & Dad not open to all
- Rising age of homeownership changes attitudes to borrowing into retirement
- Carrying mortgage debt into retirement is becoming a more practical solution for some households

The increase in house prices facing first-time buyers has been one of the signature trends that has characterised the UK housing market in recent decades. The scale of increase is made clear by Chart 8, with the ratio of house prices to incomes rising from 2.6 in the mid-1990s to more than 4.5 now.

As house price increases outstripped income gains in the early 2000s, the number of first-time buyers started to fall away. The introduction of statutory mortgage regulation may also have impacted first-time buyer numbers from 2003 onwards, with lenders gearing up for its introduction the following year.

Chart 8 – First-time buyer house price to income ratio



Source: UK Finance

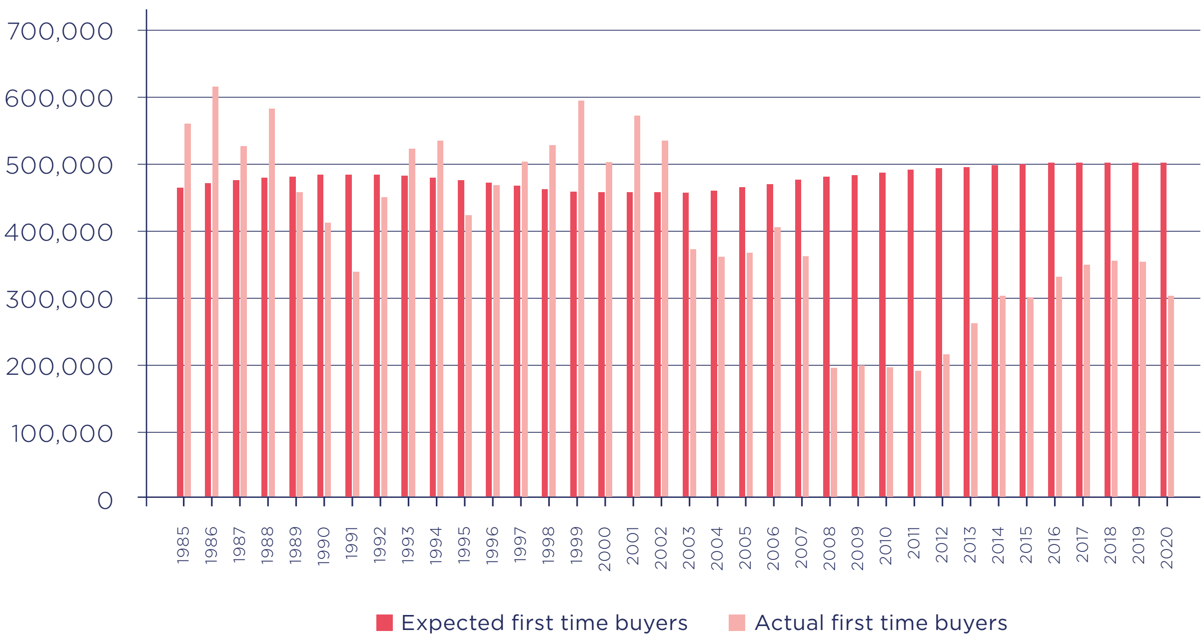
The resulting decline in first-time buyer numbers is best illustrated by Chart 9, which compares the actual number with the predicted number based on the changing shape of the UK population and different age groups' propensity to buy their first home. 2002 was the last year when first-time buyer numbers exceeded the predicted total.

Between 1985 and 2007, the overall number of first-time buyers was equal to what might have been expected, based on previous trends, but since then a staggering shortfall of 2.7 million first-time buyers has opened up.

While 62% of homeowners in their sixties feel they bought their first home when they were "still quite young", only 47% of those in their 30s feel the same.

In contrast, 45% of homeowners in their 30s got onto the housing ladder "much later" than they expected, compared with 18% in their 60s.

Chart 9 – Actual and expected number of first-time buyers



Source: UK Finance

Nearly one in four (22%) 30 to 39-year-olds see their student debt as a major blocker to getting onto or moving up the property ladder.

Among those who have bought their own home, 46% relied on financial help from family or friends to do so, compared with 18% of 60 to 69-year-olds.

Many of the 2.7 million households who have not bought - but would have been expected to, based on previous first-time buyer behaviours - will be in the thirtysomething bracket. A significant number of those who have bought by this age have only been able to do so through the financial support of the Bank of Mum and Dad. This cohort has also faced higher levels of student debt than earlier generations, reducing their disposal income.

Buyers who receive help from family are often able to purchase at younger ages but those that do not have such support require time to build up the substantial savings required for a deposit at today's house prices delaying their ability to purchase relative to earlier generations.

The later people leave it to purchase, the more likely they are to be struggling to pay off their loans before retirement. While low interest rates have made mortgages increasingly affordable once people manage to get on the housing ladder, the burden of capital repayments relative to income has significantly increased. Rather than struggling to pay back capital during their working lives, carrying some mortgage debt into retirement is now a more practical solution for some households, particularly now that the range of later life lending options has expanded.

One in three (32%) homeowners agree taking out a mortgage in later life can provide money to improve their lifestyle, while 31% agree it can provide a means to help family members.

Almost nine in 10 (87%) homeowners think it is important to be mortgage free by the time you retire.

Yet 20% of those with a mortgage feel this is not realistic and one in three (32%) are unsure they will achieve this aim.

In contrast, for many people in their sixties given the high rates of homeownership – 80% for those aged 65+ according to the latest figures – the rise in house prices seen over the past three decades has notably improved their financial security.

For households that do not plan to downsize or access later life lending, this additional wealth has no practical effect during their lifetime. But for those who see their home as a potential component of retirement planning, its value opens up options that might otherwise be unavailable.

This not only includes the ability to enhance their own lifestyles in retirement, but also the possibility of helping offspring who are part of the generation struggling to buy their first home. More than half (55%) of homeowners are interested in accessing money from their property in later life.

Will delayed owner-occupation cause a mortgage debt crisis when today's thirty-somethings reach retirement in the 2050s?

While the number of homeowners reaching retirement age with a mortgage has already increased – with 15% of 60 to 69-year-olds in this category according to the ONS – this trend is set to accelerate as a consequence of people buying later and using longer mortgage terms.

According to the FCA, 37% of mortgage borrowers in 2006 took a loan with a term of more than 25 years but by 2018 this figure had risen to 66%. Similarly, the average first-time buyer mortgage term reached a record 29.3 years in 2019, as shown in Chart 12 in Trend 9 below.

While 86% of people in their sixties think it's realistic to be mortgage-free by the time they retire, only 65% of people in their thirties agree.

This means many of today's 30 to 39-year-olds who succeed in purchasing their first home are likely to face mortgage debt into their sixties or seventies, even before they factor in future house moves, which typically extend mortgage terms even further.

On the other hand, far fewer buyers are now taking out interest-only mortgages as a result of stricter regulatory requirements. While today's thirtysomething borrowers are more likely to enter retirement with a mortgage, these home loans may well have smaller outstanding balances, on average, than older homeowners who borrowed on an interest-only basis.

Nearly two in five (38%) homeowners in their sixties agree it is becoming more common to have a mortgage in later life, while 41% agree it is becoming more acceptable.

The growing range of later life mortgage products should be well suited to cater to future homeowners reaching retirement with an outstanding balance to manage. Some will be able to afford to meet interest payments indefinitely from their pension income. Others may seek to opt for lifetime mortgages, either with or without optional interest payments to begin with. Either way, it does seem likely the growing need for later life borrowing products will be met by the market and will, in turn, fuel further product innovation.

Trend 7:

The regulatory squeeze on mortgages

Increased mortgage regulation leading to stricter affordability demands and higher deposit requirements

At a glance:

- Mortgage Market Review and other regulatory changes have made it harder for first-time buyers to get on the housing ladder
- Easing of rules around borrowing in retirement has reduced pressure on older homeowners
- Flexibility in the later life mortgage market should stand current and future retirees in good stead

Self-regulation was first introduced in the mainstream mortgage market in 1997 with the introduction of the Mortgage Code, six years after the first consumer standards were introduced for equity release in 1991. Statutory mortgage regulation was introduced in 2004, including lifetime as well as residential mortgages.

Home reversion plans became regulated in 2007, but by far the most significant regulatory changes came in the Mortgage Market Review (MMR), implemented in 2014 in the aftermath of the 2007/8 financial crisis. The MMR required lenders to assess whether borrowers could meet strict affordability checks, based on future potential interest rate rises as well as today's rates, and also made it harder for borrowers to access interest-only loans.

It appears that mortgage regulation – alongside higher house prices and other regulations that limit lender appetite to offer high loan-to-value (LTV) products – have conspired to delay the point when many young households are able to buy their first home. Affordability requirements have created an incentive for borrowers to lengthen their mortgage terms, in order to reduce their monthly payments and allow them to borrow more. These factors are already resulting in more households holding mortgage debt into retirement.

Nearly half (48%) of homeowners in their thirties found high deposit requirements delayed their first house purchase, while 37% were delayed by mortgage affordability requirements.

The same factors delayed just 15% and 10% of homeowners now in their sixties from getting onto the housing ladder.

But for borrowing in retirement, the regulations have become more flexible over time. In 2018, the FCA announced changes to its rules to treat RIO mortgages as standard mortgages, rather than equity release. This is due to the fact they currently require a less detailed sales process and need less advanced qualifications to sell. There is currently no standard requirement for legal advice for these products. RIO mortgages involve monthly interest payments until the customer dies or goes into long-term care, with the lender being repaid from the proceeds of the sale of the house.

Nearly one in three (31%) people in their sixties are confused about what mortgages are available in later life.

Three in five (61%) are not sure whether there is any difference between lifetime or retirement mortgages, while more than one in 10 (12%) believe there is no difference at all.

As a result, borrowers over 55 years of age, to which the rules apply, have more choice about how to use their home to meet their financial objectives. However, regulations still require that for couples taking out a RIO mortgage, the payments must be affordable to the survivor after their partner dies. This has restricted demand for RIO products and there is a case for the regulator to re-examine the rules to ensure couples who have a need for mortgage borrowing but do not want or fit the criteria of a lifetime mortgage or home reversion plan have appropriate options.

Will older borrowers rely on easing mortgage regulations to improve their prospects of managing their loan commitments?

There has been some criticism that the MMR has imposed excessively strict affordability requirements, contributing to the decline in the number of young people able to climb onto the housing ladder. It is possible this could result in a softening in regulation in the future, which might ease the path to homeownership for younger generations. For today's thirtysomethings, a future easing of mortgage regulation may help some to buy sooner than otherwise anticipated if the change comes within the next few years, but even younger generations would probably be the main beneficiaries.

However, the more flexible regime that already applies to borrowing in retirement should stand current and future generations of retirees in good stead. If mortgage rates remain low, borrowers will be able to release a substantial amount of capital while servicing the interest for at least some of the loan term.

Only 9% of homeowners in their sixties disagree that lenders are getting better at offering mortgage products in later life.

It also means that borrowers taking lifetime mortgages lock into attractive rates as these products have fixed or capped interest rates for the duration of the loan. If mortgage rates rise in the future as a result of higher inflation, borrowers are also likely to see the nominal value of their homes increase, providing them with more equity that can then be released through downsizing or later life mortgage products.

Trend 8:

The age of record loan affordability

Low interest rates reduce the cost of accumulating property equity through standard mortgage repayments

At a glance:

- Falling mortgage rates have helped to cushion the blow of rising house prices
- Homeownership significantly more affordable than renting, once initial hurdles are cleared
- Benefits of owning a home that can provide financial support in retirement appear robust through a range of different economic environments

Homeownership rates among younger households declined from 59% in 2003/4 to a low of 36% in 2013/14, before recovering slightly to 41% by 2019/20. Perhaps surprisingly in this context, for those who have been able to get a foot on the housing ladder, mortgages have never been more affordable as the rise in house prices has been more than offset by falling mortgage rates.

Chart 10 shows the interest rate on an average two year fixed-rate mortgage at 75% LTV since this data series began in 1995. Rates have fallen from in excess of 8% in 1995 to less than 2% now.

Chart 10 – Average two year fixed-rate mortgage (75% LTV)

Source: UK Finance

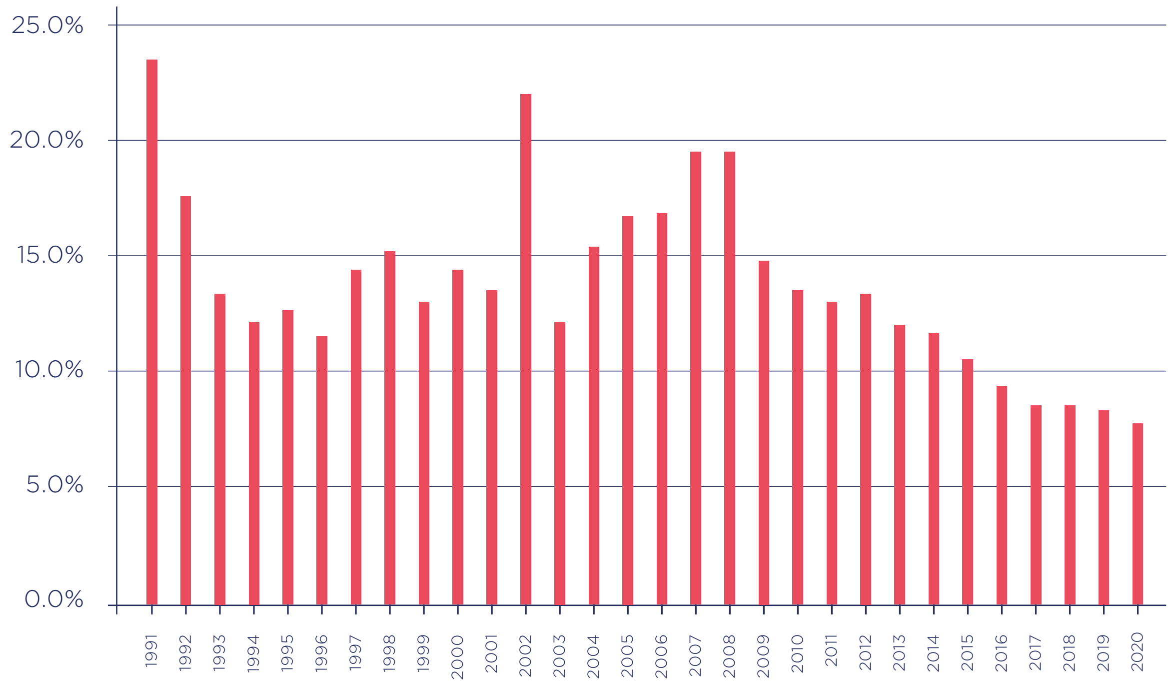
As Chart 11 illustrates, lower mortgage rates have more than offset a rising house price to income ratio. Whereas the average first-time buyer was spending nearly 24% of their income on mortgage interest in 1991, this had fallen to an all-time low of 8.3% in 2019. This has left the monthly cost of homeownership – including capital repayments – lower than rental costs in most parts of the country, making homeownership an attractive option.

The majority (70%) of mortgaged homeowners are comfortable with their current mortgage debt.

However, those aged under 40 are more likely to be uncomfortable (27%) than the over-40s (20%).

Against this positive backdrop, the lower rates of home ownership among younger households can be explained to a large extent by tighter affordability requirements and lenders' higher deposit requirements. Both developments have been driven by regulations brought in since the financial crisis, as well as increased job insecurity.

Chart 11 – First-time buyer interest payments as % of income



Source: UK Finance

The decline in mortgage rates mirrors the lower returns available to pension funds. As consumers have found they need a larger pension pot to generate a set income in retirement, the cost of accumulating property equity – even if this only comes about through the standard capital repayments made by an ordinary repayment mortgage – is lower. This makes a house an appealing asset to provide financial support in retirement.

Nearly two in five (38%) homeowners in their sixties view their mortgage as having been an investment in their future because they have built up an asset over time.

Most homeowners in their sixties will have accumulated substantial housing equity over their working lives, which has the potential to provide financial support through downsizing or the use of a later life mortgage product. Indeed, the period since 1991 could be considered a golden age for homeownership. In 1991, the average house cost £55,000 and mortgage rates were over 14%. Today, average house prices are over £250,000 and mortgage rates are below 2% for most new borrowers.

Is homeownership likely to remain affordable and advantageous for those who can access mortgage finance?

Although the next 30 years are unlikely to see a repeat of the outsized house price gains of the last three decades, homeownership will continue to be highly financially advantageous for most people if mortgage rates remain low.

Just how advantageous owning could be if mortgage rates remain at current levels is illustrated by Table 2, which projects the cost of renting privately over the next 30 years by taking the latest average rent and assuming this rises by 2% a year. This is compared to someone buying the average priced first-time buyer home (£220,000) with a 30-year 95% LTV mortgage, who remortgages on to cheaper products once capital repayments push their LTV below 90% and 75%.

Nearly half (48%) of mortgaged homeowners agree they are able to save more because their mortgage is cheaper than renting.

The example also accounts for other costs facing the homebuyer (repairs and insurance), as well as the return the tenant can make on funds saved from not requiring a deposit.

Table 2 – Cost of owning and renting privately for the next 30 years compared (assumes no house price appreciation)

	Total payment over 30 years	Increase in equity in home	Net cost
Renting privately	£474,461	£0	£474,461
Paying a mortgage for 30 years	£357,476	£209,228	£148,247
Saving from owning	£116,985	£209,228	£326,214

Source: Rent figures from Homelet. House prices from UK Finance. Mortgage rates from Bank of England.
Net cost excludes the initial house or savings deposit.

Homeowners in their sixties are more likely to see homeownership as a source of financial (80%) than emotional security (74%).

In this scenario, the tenant can expect to spend nearly £475,000 over 30 years. By comparison, the homeowner will face mortgage and other housing costs totalling £357,000. However, these costs include capital repayments so they will pay off their mortgage along the way – leaving them with equity of £220,000 even if the value of their home has not risen in 30 years.

Although homeownership is more expensive initially, the homeowner will also face lower monthly outgoings from the fifth year. In retirement their housing equity represents an asset that can provide financial support through downsizing or later life lending.

Of course, the current low interest rate environment may not be sustained and if mortgage rates climb, borrowers will face higher costs. However, in the past higher interest rates have been associated with higher inflation. If future inflation rises cause mortgage rates to rise again, homeowners will face the burden of higher mortgage rates but are also likely to experience faster nominal house price appreciation. Housing typically proves a good hedge against inflation, whereas the private tenant is likely to see only rising rent costs.

This means the benefits of owning a home that can provide financial support in retirement – either through downsizing or later life mortgage borrowing – seem, based on historic experience, to be robust through a range of different economic environments.

Nearly three in five (59%) people in their thirties feel their retirement prospects will be better if they are homeowners when they retire.

However, nearly half (49%) who do not already own their own home think it is unrealistic they will ever do so.

Trend 9:

The ever-lengthening mortgage term

Lower loan repayments today echo into later life as younger generations weigh up inheritance prospects

At a glance:

- Homeowners seeking longer loans to help ease their monthly mortgage payments
- This attitudinal shift means more homeowners will have a need for later life mortgages
- Many people in their thirties anticipate a substantial property inheritance – but it may only arrive decades in the future

A number of factors have conspired to make extended mortgage terms beyond the once-standard-issue 25 years far more common for borrowers today (see Chart 12). Firstly, rising house prices have required buyers to take on larger mortgages. Longer loan terms have helped to keep the monthly cost of these loans in check.

Chart 12 – Average first-time buyer mortgage term (years)

Source: UK Finance

In the past, many borrowers opted for an interest-only loan to minimise their monthly outgoings, but these loans have been tightly restricted since the MMR came into effect. Before the financial crisis, more than a third of mortgages were advanced on an interest-only basis, but this has fallen to less than 10%. Interest-only borrowers are also required to have a repayment strategy which does not include the sale of the property.

Another factor driving longer mortgage terms is low mortgage rates. With a capital repayment mortgage, the schedule of capital and interest payments is set to ensure the loan is fully paid off over the term, with the monthly payment remaining unchanged as long as the interest rate stays the same.

One in five (20%) homeowners in their thirties opted for a longer mortgage term to reduce their monthly repayments when buying their first home, while 12% did so to increase the amount they could borrow.

Only 11% and 7% of homeowners in their sixties felt the need to do the same.

This means the capital repayment element increases over the life of the loan, but when interest rates are low, a larger share of the initial monthly payment also goes towards repaying capital. On a 25-year loan at an interest rate of 2.8%, half the first monthly payment is capital, a proportion that falls to 38% on a 35-year term.

When mortgage rates are low, borrowers can reduce monthly payments substantially with an increase in the mortgage term. As a result of these factors, increasing numbers of people are already entering later life carrying mortgage debt.

Will the trend towards longer loan terms continue, potentially increasing the cohort of retired mortgage-holders?

One in six (17%) mortgaged homeowners increased their loan term to minimise their repayments when they last remortgaged or moved house, while 16% did so to increase the amount they could borrow.

In contrast, only 13% reduced their term to help pay off their loan before they retire.

We know that today's 30 to 39-year-olds are finding it more difficult to get on to the housing ladder than previous generations, while the pace of technological change suggests they face more uncertain working lives over the next 30 years.

If house prices remain as elevated relative to incomes as they currently are, it is likely that future buyers will continue to see the merits of extending their mortgage term. It is unclear how far this process might go, but with a range of later life borrowing options available, lenders should become more relaxed about customers taking out loans that extend into retirement.

Additionally, the parents of today's 30 to 39-year-olds enjoy an exceptionally high rate of homeownership, suggesting that many thirtysomethings anticipate a substantial property inheritance in the future. This may in turn make them more relaxed about carrying their own mortgage debt into retirement. With the switch to DC pensions, where savings pots are inheritable, this younger generation may also benefit from an unprecedented level of pension inheritance, although increasing life expectancy means that such inheritances will in most cases only arrive decades in the future.

This suggests that the proportion of borrowers entering retirement with a mortgage is likely to continue to rise, which in turn is likely to increase the reliance on retirement lending products.

41% of people in their thirties have received or expect to receive an inheritance in the form of property or money from the sale of property.

However, many do not expect to receive this until their mid-40s to 60s – significantly later than the average first-time buyer age.

Trend 10:

The growing acceptance of debt in later life

Attitudinal shift underway as stigma is replaced by openness to the possibility of gaining financial freedom

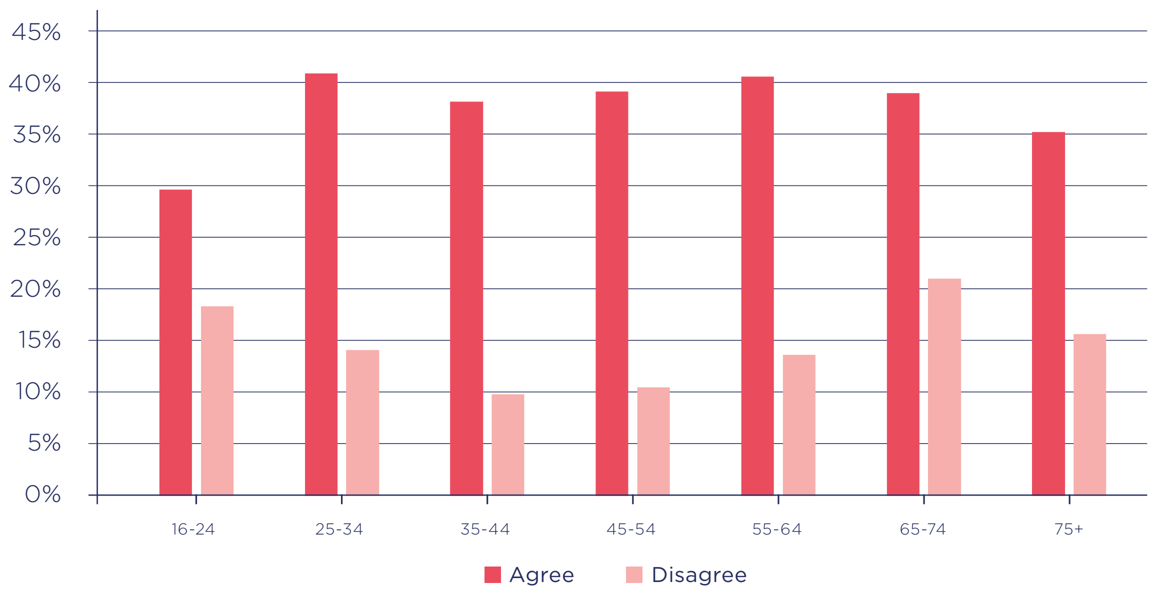
At a glance:

- Two in five (40%) homeowners recognise that later life mortgages have become more common, while one in three (34%) feel they are becoming more acceptable
- Every age group among the UK adult population considers itself more accepting of debt in later life than its parents' generation
- Nearly three in four (74%) homeowners in their thirties are open to accessing property wealth in later life

Growing use of home finance in later life is among many factors reshaping the 21st century retirement experience, either by carrying over mortgage debt from working life or borrowing again at a later date. Two in five (40%) homeowners recognise that having a mortgage in later life has become more commonplace. But to what extent is this accepted or resisted?

Just 21% of homeowners in their sixties would insist on downsizing first before considering a mortgage in later life.

Chart 13 – UK adults who consider their generation more accepting of later life debt than their parents' generation



Source: Equity Release Council [chart excludes those who said 'neither agree or disagree', 'not sure' or 'prefer not to say']

The Council's research among a sample of 5,000 UK adults suggests the appeal of being mortgage free by the time you retire holds firm across all age groups. Nearly four in five (79%) people feel this is important, while barely one in ten (11%) disagree. Yet this ideal scenario comes with a growing acceptance that later life borrowing is not only a present-day reality for many, but is permissible or even preferable in certain circumstances.

Without exception, every age group considers their generation to be more accepting of debt than their parents' generation was before them. Overall, 38% of people take this view, with sixtysomethings (41%) and thirtysomethings (40%) almost equally aligned.

More than one in three (34%) adults feel it is becoming more acceptable to hold secured debt in later life, with both genders equally in agreement. While 83% of mortgaged homeowners feel it is important to retire mortgage free, and 75% feel this goal is realistic, 42% agree the alternative has become more acceptable.

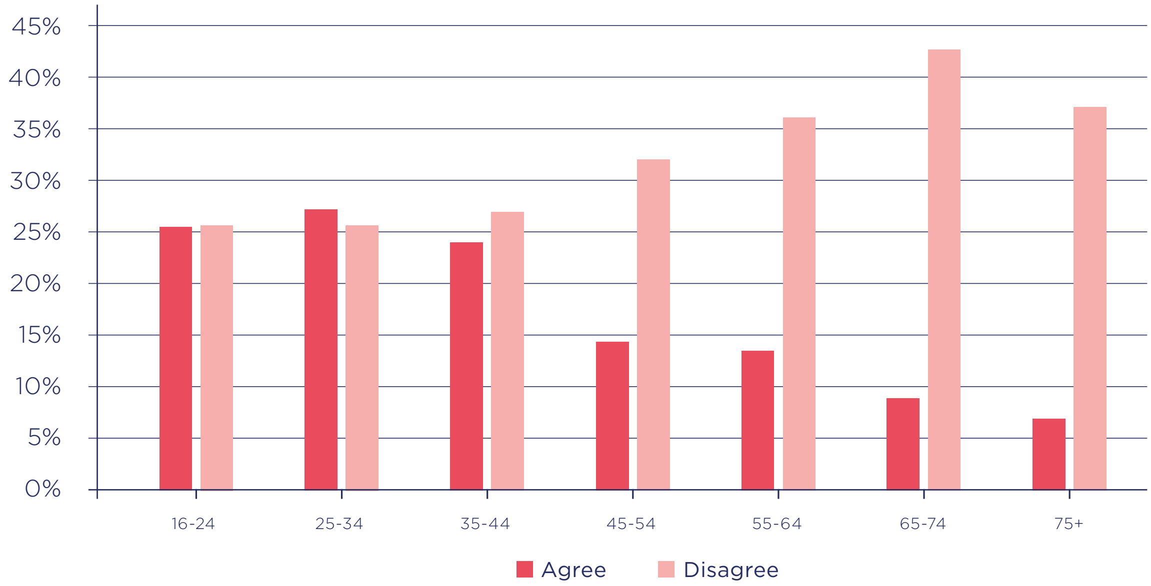
Will the changing nature of 21st century retirement see later life mortgages embraced as a positive choice?

Chart 14 suggests that growing acceptance of debt in later life is an overarching trend across all age groups. Yet when it comes to the idea that taking out a mortgage in later life signifies failure, not everyone is agreed.

Younger generations are broadly divided on this point: around one in four take this view and a similar percentage oppose it, leaving a sizable group reserving judgement. But among older age groups, a significant majority reject the idea that borrowing against your home in later life constitutes failure. Those on the cusp of retirement – aged 65-74 – are most likely to do so, as they face the reality of financial decisions as earnings from work are replaced by retirement income.

Nearly one in four (24%) homeowners in their sixties see later life mortgages as a way to avoid having to downsize against their wishes.

Chart 14 – UK adults who consider taking out a mortgage in later life as a sign of failure



Source: Equity Release Council [chart excludes those who said 'neither agree or disagree', 'not sure' or 'prefer not to say']

However, despite their increasing openness to later life debt, UK adults remain broadly divided over whether having a mortgage in later life can be a positive choice that provides more financial freedom and flexibility: 23% agree while 21% disagree.

Overall, the findings suggest both youth and experience play a role in challenging notions of retirement debt as a sign of failure and embracing the possibility that having a mortgage in later life could be a positive experience for homeowners.

Despite their distance from retirement, it appears 30 to 39-year-olds are already further down the path of consideration than some of their older peers. Fewer than half of homeowners (47%) in their sixties can identify a financial reason why they would be interested in accessing money from the value of their property in later life. Among those in their thirties, this number soars to nearly three in four (74%).

26% of people in their thirties "wouldn't mind" if they were still paying off a mortgage in later life, compared with 19% of all adults and just 10% in their sixties.

What these trends mean for the future

What fundamental needs must be addressed as the experience of later life evolves?

Jim Boyd, CEO of the Equity Release Council

Reflecting on thirty years that have revolutionized the experience of later life, it is impossible to overstate the extent of change facing current and future generations as they age.

With better prospects of enjoying a longer period of good health in retirement, people's horizons in later life are broader in many ways than their parents before them. Yet their financial decisions are significantly more nuanced and complicated by the realities of elevated property prices and the death of generous pensions schemes.

Looking ahead, the long-term impact of the Covid-19 pandemic – which has amplified so many societal trends and tensions – is just one factor that will drive further change over the next 30 years, as UK adults strive to achieve their financial and life ambitions over longer lives.

The trends explored in this report have already resulted in the growing use of mortgage finance in later life to support people's financial goals. Property wealth unlocked via equity release – predominantly through lifetime mortgages – has grown from less than £1bn in 2010 to £4bn annually since 2018, with further growth anticipated in future from total net UK private property wealth of more than £4.5 trillion.

For people who attain homeownership during their working lives, our findings make it clear the ability to unlock property wealth will become even more important to their prospects of financial wellbeing in later life. This puts a significant onus on industry, regulators and government to support and enable this, while also addressing the barriers to homeownership that risk exacerbating social divides and perceptions of intergenerational inequality.

Over the following pages, the Council has invited views from experts in product provision, financial advice and legal advice communities on the challenges and opportunities ahead. As the industry's representative, consumer-focused trade body, we have identified four fundamental needs to address:

Awareness

- The benefits of unlocking property wealth to individuals and society must be better understood to support a joined-up approach to funding retirement
- Greater emphasis must be given to the range of solutions that can allow access to property wealth in people's financial planning journeys.

Education

- Consumers must get the information they need to weigh up increasingly complex financial decisions and balance their current and future needs across a longer period of time
- Advisers from a range of backgrounds must be equipped in increasing numbers to identify scenarios where property wealth may play a positive role and the many factors that ultimately influence that decision.

Innovation

- Product development must continue to evolve to reflect the changing landscape and emerging needs of older consumers and their families
- Access to advice must be scaled up and supported by technology to meet the potential rise in demand, while maintaining the expertise, integrity and rigour needed to make suitable personalised recommendations.

Protection

- Appropriate checks and balances must be embedded throughout the later life customer journey, to reflect the variety of experiences and changes that can occur along the way
- The growing range of later life products must not come at the expense of clarity regarding consumer safeguards and the costs and benefits involved.

These priorities will continue to influence our work with members to promote best practice and set consumer-focused standards, rules and guidance to underpin a safe and sustainable market with good consumer outcomes at its core.

How will growth in equity release and later life lending impact the transfer of wealth between generations?

Andrew Assam, Mortgage Director, Scottish Widows Bank

An increasing number of people are now approaching retirement age. In 1991, there were 9.1 million people in the UK aged 65 or older. 25 years later, in 2016, this had risen to 11.8 million people. The proportion of the population aged 85 years and over is projected to almost double over the next 25 years. Life expectancy is rising, with retirement now lasting for decades.

As the value of the UK's housing stock has grown, passing £6 trillion at the end of 2020, so has the demand from consumers to draw on housing wealth. Property wealth holds untapped potential, which Scottish Widows Bank research suggests should enable the average older homeowner to unlock around £88,000. It is therefore not surprising that interest in equity release had grown in the years preceding the pandemic, with the FCA calculating that the market had grown by 12% pa between 2012 and 2016.

Yet the increase in house prices, accelerating over the past year due to government interventions in the housing market and behavioural changes brought about by the pandemic, have also outstripped wage growth, making it harder for aspiring first time buyers. Private renters represented 19% of households in 2019/20, rising from 11% in 2003, who on average spend 33% of household income on housing costs, compared to the 18% spent by homeowners on mortgage payments. This inhibits the ability of many to accumulate wealth through housing equity and save for retirement.

As a result, young people have increasingly turned to the 'Bank of Mum and Dad' to buy their own home. In 2017, the FCA calculated that 62% of under 35 homeowners were helped financially by family and friends to get onto the housing ladder. Here equity release could help to accelerate this transfer of wealth otherwise locked in assets and act as an 'advance' on inheritance, helping children and loved ones onto the housing ladder earlier than they otherwise would have done, and in turn reducing their housing costs over the life course and improving financial well-being.

Alternatively, equity release can be used by older people as a means to manage finances in later life without downsizing or moving to another property. On those occasions it can serve to reduce the transfer of wealth through leaving less in inheritance, as repayments generally only take place when the homeowner dies or moves into care, and is funded from the equity from selling the home. According to the Equity Release Council, 34% of homeowners aged 55 and over are worried about running out of money in retirement – up from 27% in the space of a year.

> **"The extent to which equity release market activity is used either to maintain living standards in retirement or facilitate the transfer of wealth between generations may play an increasingly important role in shaping of the wider economic recovery."**

Against the backdrop of rising house prices and increasing property wealth, the extent to which equity release market activity is used either to maintain living standards in retirement or facilitate the transfer of wealth between generations may play an increasingly important role in shaping of the wider economic recovery.

www.scottishwidows.co.uk/bank/

Why equity release is increasingly relevant for affluent customers

Claire Singleton, CEO of Legal & General Home Finance

The lifetime mortgage market has transformed in recent years with greater flexibility, more choice and increasingly competitive rates, enabling advisers and their clients to view a property as a genuine asset that can be unlocked. And with more flexible ways than ever to access property wealth at affordable rates, the appeal of equity release as a mainstream financial planning tool to boost income, lifestyle and tax-efficiency is beginning to be realised.

People are living longer, whilst retirement finances are increasingly being squeezed. At the same time, the long rise in house prices means that a larger proportion of the nation's wealth is locked up in our homes, with UK property wealth reaching a record £4.6 trillion in 2021. Whilst most people's retirement income continues to be provided by their pension, housing wealth now ranks as the second largest asset for over 55s, and will therefore play an increasingly vital role in funding retirement going forwards.

More affluent homeowners with substantial pension savings and property wealth are also waking up to the potential benefits that a lifetime mortgage can provide. Owners of high value properties have significant wealth tied up in their homes, but still need access to funds. This may be to maintain their lifestyle in retirement, top up their income, pay for care, make home improvements, and support their families, all while keeping an eye on the inheritance they might leave behind.

Homeowners with greater wealth and larger estates also have more sophisticated, and often more complex financial planning needs. The recent freeze to inheritance tax (IHT) thresholds until 2026, combined with this year's steep rise in house prices, means that more properties could be nudged past the inheritance tax threshold. It's perhaps no surprise then that, according to The Openwork Partnership, one of the UK's largest networks of financial advisers, there was a 38 per cent rise in demand for advice on inheritance tax planning in the past year.

People in this position could consider gifting a "living inheritance" to potentially reduce their IHT liability, while also helping children or grandchildren with university fees, wedding costs or getting onto the property ladder. This means they can see their loved ones enjoy the benefits of extra cash while they're still living. However, with wealth often tied up in their property, many do not have the available funds to make these lifetime gifts.

"More affluent homeowners with substantial pension savings and property wealth are also waking up to the potential benefits that a lifetime mortgage can provide."

Equity release can allow you to make such gifts: over time, a lifetime mortgage will reduce the equity in the property, which therefore means either reducing the amount of IHT payable upon death, or means the estate could fall below the threshold completely. But this needs to be done with careful consideration of the seven-year rule as, currently, it's only if you live for at least seven years after gifting the money, that it will be exempt from tax.

Accessing housing wealth to gift money is a trend that is becoming increasingly popular amongst older homeowners. Enquiries from over 50s homeowners seeking to gift money to loved ones increased 96% in the first five months of this year when compared with the same period in 2020. We expect this trend to continue too, as homeowners gifting cash earlier in life becomes more commonplace.

www.legalandgeneral.com/retirement/lifetime-mortgages/

What does the future look like for innovation in equity release and later life lending?

Will Hale, CEO of Key

Thirty years of evolution and innovation is an impressive milestone for any industry but it does also pose the question – what next? How do we continue to meet the needs of our customers and their families in a rapidly changing world? How do we grow our businesses and increase the relevance of our products to more customers? These are all inconvenient questions as it requires change and brave decision-making at a time when the industry might be considered to be at a crossroads.

In one direction lies the familiar territory of equity release while in the other lies the seemingly uncharted hinterland of the evolving later life lending sector. Driving this change is the simple fact that customer needs have developed significantly in thirty years with today's over-55s facing a myriad of challenges and choices as well as far greater ambitions for retirement than their parents.

While equity release will no doubt play a vital role in supporting this, how we define the later life lending market will too so it is time for us to be braver, think bigger and more holistically. Putting the desire to support our customers at the heart of this new market will be paramount but we will need to consider how we harness the lessons of the last thirty-years. How can we can increase flexibility whilst maintaining simplicity, think holistically but continue to be specialists in what we do and embrace the benefits of digitisation without reducing personalisation.

If we get this right then we will see a future where all customers borrowing into retirement consistently receive fair value and an outcome suitable for their individual circumstances- irrespective of who they approached for support.

Meaningful progress towards property and pensions being seen on more equal footing when planning retirement also needs to be made. Products and advice that evolve as people transition through later life are the key – with someone perhaps choosing to borrow and save from age 55-65, fund an active retirement and help family from 65-85 before then needing assistance with paying for care.

This way of thinking should prompt more innovation around both products and advice. Instead of seeing equity release, RIO's and other types of later life mortgages sitting in individual product silos, we should see them as working together to satisfy different needs. For example a RIO that transitions to a lifetime mortgage at the request of the customer – with the option to keep serving the interest and/or make capital repayments or stop making repayments altogether to suit their individual needs and ambitions at a point in time.

Equity release has helped thousands of people over the last thirty years to repay mortgages, enjoy retirement and support their families. As an industry, we are now at a crossroads with the opportunity to be brave, ambitious and forward looking. We must evolve and strive to better serve more customers through a more holistic approach to advice and with product innovation that aligns to the changing reality of people's journeys through later life.

> **"Meaningful progress towards property and pensions being seen on more equal footing when planning retirement needs to be made. Products and advice that evolve as people transition through later life are the key."**

It won't be easy but if we revisit this report in thirty years, I am hopeful that while the ambition will remain the same, later life lending will be much more familiar territory.

www.keyadvice.co.uk/

Can housing wealth become the 'power pack' that financially energises our lives beyond work?

Stephen Lowe, Group Communications Director of Just Group

One vision of the future has equity release providers evolving from cash machines into integrated 'contentment hubs' responsible for providing a range of cost-effective services – utilities, groceries, maintenance, health, entertainment, care and so on – to people who want to stay in their homes in later life.

Encouraging independent living in our own homes as we age is likely to be at the heart of social policy for the foreseeable future. That raises the tricky issue of providing – and financing – increasing levels of support to an ageing population when neither the State nor families can shoulder the full financial or physical burden.

Research for Just Group's annual Care Report consistently reveals that people don't want to be reliant on the State or a financial drain on their own families in later life. But it also shows most haven't invested to meet their own care costs out of their pensions or savings.

There is even a reluctance to talk about it. Among over-45s, nearly four in five (78%) said they had not planned for care or spoken to their families about it.

The trillions tied up in housing wealth among pensioners provides the opportunity for homeowners to draw down a sustainable flow of money to meet their needs through retirement. That scale of cash also highlights the chance for later life lenders to become brokers and service providers, managing an ecosystem of later life services.

The cash flows generated by the property wealth 'power pack' provides the certainty of funding to ensure high-quality services can be bulk-bought and delivered cost effectively, while also removing a large part of the administrative burden for our customers.

This concept raises the enticing possibility of the sector evolving business models into higher margin 'all in one' service hubs that enable people to meet their aspirations for comfortable and rewarding retirements. This model provides independence where people want it or need it, perhaps because they don't have children or simply prefer to organise their own affairs in later life.

It's not so far-fetched, but more of a twist on the familiar concept of 'retirement villages', where purpose-built, centrally managed properties combine comfortable living with services such as health monitoring, meals, entertainment and security paid through regular fees.

For many, however, the change of environment will be a step too far. It usually means selling up, shifting location and incurring a significant financially outlay – all of which become more daunting as we get older.

Picture instead 'virtual' retirement villages with no need to uproot from a lifetime's network of friendships and networks. The homes are our existing homes, in our existing neighbourhoods close to friends and family, and the core services we need are centrally managed by people with expertise in how our needs change as we get older and need more support.

> **"Reshaping how we help people tap into their financial powerhouses could transform millions of retired people's lives for the better."**

Many people consider equity release as a steady growth market but is this missing the big opportunity? The Covid-19 pandemic, climate crisis and explosion in technological applications are pressing society to rethink things to better meet people's future needs.

It's not such a leap of the imagination to see that reshaping how we help people tap into their financial powerhouses could transform millions of retired people's lives for the better. Simply, we aim to fulfil our purpose and help people achieve a better later life.

www.wearejust.co.uk/products/equity-release/

What does the growing role of property wealth in retirement planning mean for solicitors and the role of legal advice?

Claire Barker, Managing Director of Equilaw

The role of a solicitor within the equity release journey of a client has traditionally been twofold; first, to ensure good and marketable title for the lender and, secondly, to ensure borrowers have sufficient mental capacity to understand the mortgage, and are not being forced into applying by a family member or other third party.

How solicitors have achieved this has largely remained unchanged for the last 30 years; mainly dealing with paperwork via phone and postal channels which, since 2014, has been compulsorily combined with a face-to-face meeting to witness the important legal documents being signed. Last year, due to the Covid-19 pandemic and the introduction of a national 'stay at home' requirement, we saw a temporary amendment to the legal process, to enable cash-strapped homeowners to retain the ability to release their equity. Following a major modification in policy by the Equity Release Council, solicitors could now advise their clients remotely, by video call, provided that a number of stringent safeguards were met.

This was always designed as a short-term measure, with the objective being to return to the gold standard, face-to-face meeting as soon as lockdown measures were lifted. The remote process offered more flexibility to solicitors, clients and ER brokers, but it was not designed to be a corner-cutting exercise. At the forefront, it remained vital to protect the best interests of borrowers and to ensure that they understood the nature and obligations of the contracts they were signing. To that end, mandatory contact points were added, to enhance the "know your client' element of the transaction and a new requirement to formally identify the witness. The legal advice still had to be given by a qualified lawyer.

However, the pandemic did throw up many discussion points about the future of legal advice and the basis of consumer protection within the industry. As consumer needs and product choices evolve, consideration needs to be given to how to interact more effectively with clients to ensure the best possible consumer journey and experience.

Use of technology should be high on the list of all stakeholders, and it particularly offers solicitors the ability to differentiate themselves, by offering a modern, yet safe, way of advising clients. For example, giving clients the ability to interact, at least partially, electronically with their chosen solicitor is likely to be a key decision-making factor in the future, as clients crave a more flexible way of doing business.

The creation of mobile apps, online case tracking facilities, and the ability to print and scan documents from home are all likely to become the norm over the next five years. The conveyancing industry should also be well placed to help drive transformation at HM Land Registry, with moves towards accepting electronically signed documents helping to align solicitor, client and regulator priorities.

"Use of technology should be high on the list of all stakeholders, and it particularly offers solicitors the ability to differentiate themselves, by offering a modern, yet safe, way of advising clients."

These combined considerations should allow the client journey to continue to evolve, whilst maintaining the highest levels of consumer care and protection. If we can maintain the basis of consumer protection through face-to-face professional contact, at the same time as sprinkling in some key elements of modernisation and remote working, clients can look forward to a safe and convenient advice process, while maintaining the reputation and professional standing of the industry as a whole.

www.equilaw.uk.com/

Will mortgages for life be the norm by 2051?

Alice Watson, Head of Marketing, Insurance, Canada Life

It's a debate as old as time. Out of a property or pension, which will prove to be more valuable in retirement?

However, the response isn't always black and white. Property wealth is increasingly being included as a component of modern retirement journeys, working alongside existing pension savings, rather than a question of using either/or.

With fewer people following the 'traditional' journey of retiring with a comfortable pension and no mortgage debt, the retirement market is undergoing a significant transformation.

This is partly down to the emergence of a number of new later life journeys. One cohort, the so-called 'complex families, complex finances' already represents 32% of the over-60s market. They can be loosely characterised as people with more complicated family situations, such as divorce or caring responsibilities, which then adds complication to their financial planning needs.

Another fast-growing group of retirees is also emerging. Classified as 'late financial bloomers', these are people who are building financial stability much later in life as they get married, have children or buy a property later than previous generations. This condenses the amount of time they have to build a traditional retirement pot.

In these cohorts, retirees may not have the savings in place to provide the retirement lifestyle they anticipate. Currently the largest source of income among the richest retired people is an occupational or final salary pension. The decline of these gold-plated pensions has been well documented and they are set to represent a far smaller proportion of the future retiree's income.

Other life events such as the death of a spouse or later life inheritances will take on an increased sense of importance in retirement planning. People will then inevitably start to look at other ways of driving retirement income such as downsizing or equity release. Accessing property wealth via a lifetime mortgage could provide a way to subsidise their pension income, while crucially allowing them to remain in their home.

We know already that staying in the home is often a very emotive concept and a key driver for equity release. In fact, 62% of over-55s believe they have already found their "forever home". This can be estimated to over 6.2 million households for whom property is becoming an increasingly useful asset to provide income. This desire to stay, along with spiralling care costs and emerging socio-economic factors such as children returning home or older parents moving in, has led some forever homeowners to consider their financial options in order to stay longer in their home.

"The foundations have been laid for a strong future for property wealth and equity release... we will certainly see more divergent retirement journeys with equity release playing an increasingly important role."

Looking at these trends and the emerging retirement journeys, the foundations have been laid for a strong future for property wealth and equity release. While we may not be able to call mortgages for life 'the norm' by 2051, we will certainly see more divergent retirement journeys with equity release playing an increasingly important role.

www.canadalife.co.uk/home-finance/lifetime-mortgages/

How can we embrace the challenges of the next 30 years?

Greg Neilson, Managing Director for Equity Release at Aviva

Few achievements in the UK can rival our rise in life expectancy. In three decades, since the creation of the first equity release consumer standards as the bedrock of the modern market, the UK population has added about five years to its typical time on Earth. This equates to about four extra hours for every day of their existence.

Rest assured, I am not trying to boast "cause and effect". The powers of the Council, and our sector, stretch only so far. But I do feel we can claim we have played a part in supporting this transformation. In 2020 alone, we helped more than 70,000 people release nearly £4bn of equity from their property. In the three decades to come, I am confident our part will only grow.

Longer lives are to be celebrated, but they must be paid for. Sadly, our rise in life expectancy has been matched by a demise of saving. Over the past 30 years, the household savings ratio has more than halved to a record low of just 4.7%, prior to the pandemic. As a nation, we've fallen out of love with saving.

The timing is bad. Prudence has passed just as our later life expenses look set to soar – bridging the longer gap to state support; making up for the decline of generous final salary pensions; and creating provision for the increasingly probable costs of social care.

And people are worried. Every month, Ipsos-Mori tracks the societal issues that worry people the most. Covid, Brexit and the economy top our worry list. But "ageing" is coming up on the outside. Fast. When added to the index in 2011, ageing was ranked a lowly 24th on our list of 35 worries. More recently, it repeatedly claims a place in the top 10.

When asked about later life planning, Aviva's own research finds a gap between this worry and action. The former always exceeds the latter. Some argue that we live with our head in the sand. Some argue that the pressures of today drown out our considerations of tomorrow. Some argue that we don't carry the financial literacy to take control. The truth is probably a mix of all of these, and more. But this truth won't shelter us from the individual responsibilities of tomorrow. These responsibilities are coming, and they can't be avoided.

The equity release sector must help. And Aviva is up for the challenge. We believe that a range of support will be needed to help individuals take control of their financial futures. Ingredients will include propositions that support everything from short-term savings to longer-term savings; from retirement planning to later life care provision. And all must be complemented by the positive provision of financial guidance and advice.

"We believe that a range of support will be needed to help individuals take control of their financial futures. Given the headwinds, financial futures that fail to consider the role of property are set to become works of historic fiction."

Equity release must be at the core of this mix. Given the headwinds, financial futures that fail to consider the role of property are set to become works of historic fiction.

And our audience does not rest with the retirees of today. The generations that follow need our support too. Booming student debt, stagnant wages, and the decline of home ownership are motivating many older family members to seek ways of helping those that come behind. Yesterday, this would have been inheritance planning. Today, it often goes by the label "the Bank of Mum and Dad". Property wealth, liberated by equity release, will become a core part of "the bank's" funding.

There is a Chinese curse which threatens "may you live in interesting times". Like it or not, we live in interesting times. For 30 years, equity release has helped many navigate these interesting times. In the 30 years and more to come, we will be called upon to help many more. We must rise to the challenge once more.

www.aviva.co.uk/retirement/equity-release/

What does the changing landscape mean for financial advisers, now and in the future?

Matt Stirland, Head of Equity Release at Age Partnership

This report highlights a clear requirement to plan for later life finances earlier, but also flags the wider issues at play that make retirement financial planning more challenging for future generations.

With declining interest rates exacerbating the already poor pension-saving situation for those in their 30s, property wealth could play an increasing role in retirement planning – but using whose property will be the question. Increased product flexibility in the lifetime mortgage market will make this solution more attractive and will facilitate further growth in demand for advice in the short to medium term.

However, one of the big challenges facing advisers both now and in the future is the lack of awareness of lifetime mortgages. Preconceived ideas of equity release, based on the legacy of inflexible plans with high interest rates, still fill the minds of many and can be a huge barrier for entry. Investing in marketing to reach the masses with messages explaining the flexibilities of lifetime mortgage plans will certainly help in the short term, but continuing product development will be crucial to the long-term success of the market.

With people in their thirties still struggling to get on the property ladder, intergenerational advice will be key in the future. Assets are likely to be trapped with elder generations, but the requirement for younger ones to get on the property ladder and escape increasing rent prices is something that will remain an issue for many years to come.

As people require their pensions to work much harder than ever before, holistic advice, combining a blend of pension and property assets, is likely to become more commonplace. Advisers need to have the skill set to be able to cross-refer between all later life finance options, and advisory firms should have the teams in place to facilitate this multi-product advice.

There is also a future requirement to think about how to provide access to advice as smaller pension pots which are more dispersed than ever, higher debt and longer working lives, all amount to more complex affairs to be navigated, but with a lower asset pool.

On a commercial level, advice will be difficult to deliver to the masses, so advisers will need to be innovative around the tools used to ensure everyone has access to the right advice for their situation at the right price. Covid-19 has accelerated the use of technology for advisers and importantly customers, and the sector needs to capitalise on this opportunity to drive forward tech developments.

"As people require their pensions to work much harder than ever before, holistic advice, combining a blend of pension and property assets, is likely to become more commonplace."

There is already a requirement for long-term advice in relation to mortgages and lifetime mortgages, as this ensures customers remain in the best product for their current personal situation. In years gone by it wasn't uncommon for financial advisers to become a friend of the family, as they had delivered multigenerational long-term advice to the same household for 10, 20, even 30 years. The need for this long-term approach is only likely to increase in the future.

www.agepartnership.co.uk/equity-release/

Methodology
and contact details

This report draws on research and analysis of government, regulatory and industry data, supplemented by the Council's biggest study to date of consumer attitudes and behaviours. Independent research was carried out by Censuswide among 5,000 nationally representative UK adults aged 18+ in May 2021.

For further information, please contact Instinctif Partners at:

EquityReleaseCouncil@instinctif.com

The Equity Release Council would like to thank the following organisations for supporting and contributing to this report:

Age Partnership is the UK's No 1 lifetime mortgage broker, providing whole-of-market advice to over 25% of all equity release cases written. Since 2004 Age Partnership has helped over 2million people decided if equity release is right for them. It has partnerships with several media groups plus blue-chip partners including SunLife, LV= and Prudential.

Aviva can trace its history back over 320 years, and has more than 22 years of experience helping people unlock equity from their home. Since 1998 we have helped more than 250,000 clients unlock over £9 billion of equity from their properties. Aviva is a financially strong company and a trusted brand.

At Canada Life, we provide retirement, investment and protection solutions to individuals, families and companies. We've been supporting advisers, customers and colleagues in the UK since 1903, and our award-winning products and solutions have helped 3.5 million customers.

Equilaw is a market-leading firm of solicitors which specialises entirely in advising homeowners throughout England and Wales on the obligations, risks and rewards attaching to equity release schemes. Equilaw has been established for more than 20 years and continues to win national awards for its tech-driven, customer-centric approach in this sector.

About the **Equity Release Council**

The Equity Release Council is the representative trade body for the UK equity release sector with more than 600 member firms and 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 560,000 homeowners have accessed £35bn 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.

Just is the retirement specialist. A UK financial services company and leader in retail and wholesale retirement markets. We've been trusted to manage over £23 billion of customers' retirement savings and helped customers release over £5.5 billion from their properties. We provide products, advice and professional services to individual customers, financial intermediaries, corporate clients and pension scheme trustees.

Part of Key Group, Key is the UK's largest independent equity release adviser – 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.

Legal & General Home Finance is leading innovation across the later life market to help people enjoy a more colourful retirement. It has lent more than £4.4 billion in total, developing customer-led solutions that offer flexibility and choice. The business is part of the Legal & General Group, established in 1836.

Scottish Widows Bank forms part of Lloyds Banking Group, the UK's largest mortgage lender. Scottish Widows Bank has recently expanded into the later life lending market to support a growing customer segment with their borrowing needs, while providing strong customer safeguards and championing industry standards.

Call: 0300 012 0239

Equity Release Council
The Old Rectory
Church Lane
Thornby NN6 8SN

Email: info@equityreleasecouncil.com

www.equityreleasecouncil.com

Equity Release Council

Check that your chosen plan will meet your needs if you want to move or sell your home or if you want your family to inherit it. Always seek qualified financial advice.