Fairer Finance

How can housing wealth bridge the later life funding gap?

In partnership with the Equity Release Council

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Contents

Executive summary

The UK is on the verge of a later life crisis. As life expectancy increases, pension provision weakens, and the cost of care rises – the number of people reaching retirement without adequate provision to maintain their standard of living is set to increase year on year.

But wrapped up within this growing risk, there is a significant opportunity.

With over three quarters of people in retirement owning property, many have housing wealth which can partially or completely bridge the financial gap.[1]

As things stand, there are a number of social, regulatory, and economic barriers which block the path to housing wealth becoming part of mainstream later life planning.

This report looks to bring fresh clarity to this pressing issue. Through new economic modelling, we have estimated the shortfall that different households may face in meeting later life living standards.

In an ideal world, people will be able to access housing wealth through downsizing, if they wish. However, the current lack of suitable housing stock means that many people do not view downsizing as a viable option. Therefore, we have focussed our economic modelling on people accessing housing wealth through later life lending.

Where pensions and savings can't deliver the desired living standard, we demonstrate the impact of people using later life lending to bridge the gap.

Our analysis shows that 51% of households aged 60+ in 2040 could benefit from accessing their housing wealth in retirement through later life lending, unlocking £23bn each year (in 2025 prices).

This will not only support millions of consumers to live better lives in retirement, but could also contribute £21bn of gross value added to our economy in 2040 (in 2025 prices).

There are a great many uncertainties surrounding the overall potential economic impact of households making greater use of housing wealth in later life. However, it is clear that the scale of potential spending is significant at a macroeconomic level.

If we are to realise the potential of this opportunity, policymakers need to act now.

Barriers to accessing housing wealth

There are currently two key ways that individuals can access their housing wealth: downsizing (selling their property and moving to a cheaper one), or later life lending.

[1] Office for National Statistics (2025), 'Property wealth: wealth in Great Britain'.

These are not mutually exclusive and some households may end up using both.

Each have barriers which policymakers should focus on removing.

For those who wish to downsize, there are three key blockers. Firstly, a lack of suitable retirement housing means that many people are unable to find desirable options in their local area. The political will to increase housing supply in the UK has often focused on first time buyers, rather than building suitable and desirable retirement properties to support downsizing – allowing existing family homes to be freed up for younger buyers.

Secondly, the costs of downsizing remains high – exacerbated by stamp duty.

The third key blocker is also an obstacle to later life lending – a lack of knowledge amongst consumers, and a social stigma. Using housing wealth to fund later life is not currently part of the retirement conversation and many do not see it as a mainstream option.

When consumers interact with MoneyHelper or Pension Wise as they approach retirement, there is a lack of actionable advice around housing wealth. In the case of later life lending, there is often a shame associated with it, and it is seen as a last resort.

The other key barrier to later life lending is the regulatory environment – which has created advice silos, and stymied innovation in this market as a result. Mainstream mortgage lenders do not talk about later life lending options to borrowers as they are entering later life, just as many equity release advisers do not talk to consumers about mainstream mortgages. Wealth advisers tend not to be qualified to advise on later life lending, and do not always include housing wealth as part of core retirement planning.

As the chief executive of the Financial Conduct Authority (FCA), Nikhil Rathi, said in a speech in March 2025 'Pensions, savings, mortgages, housing wealth – each [sit] on their own line, with their own ticketing system, timetable, and rules'.[2]

There is a need and opportunity to realign regulation and government advice to support more people to access housing wealth in later life.

Our analysis shows that 51% of households aged 60+ in 2040 could benefit from accessing their housing wealth over the course of their later life. In that year, 18% of households aged 60+ might access their housing wealth. Of those that do access housing wealth, the median total amount taken over their lifetime is estimated to be £140,000 (in 2025 prices).

Defining later life

To help frame the conversation, we have introduced a new definition of later life. Later life begins when a person begins to draw down on the assets they have accumulated for retirement. This may not be when they retire. It may be a time when they switch to part time or lower paid work – and begin drawing on their private pensions. Or it may be when they choose to downsize or use

[2] Nikhil Rathi (2025), 'On the right track: Connecting consumers, products and growth'.

later life lending to top up their retirement savings.

The final stages of accumulation – where consumers are still working, saving and paying down debt – are a crucial time when they need to be supported to consider how they can maximise use of the assets they have in retirement. This period – typically from age 50 up until state retirement age – is a crucial moment for both state and private financial advice services to engage with customers to prepare them to make the best decisions for their retirement.

Supporting consumers to unlock housing wealth in later life

In the final section of the report, we make five recommendations to government and regulators.

With the FCA set to launch a review of its mortgage and later life lending markets in June 2025 – as the Government continues to formulate its long-term growth strategy – there is a unique opportunity to make progress on this vital issue.

1. **Government should facilitate a substantial increase in the supply of suitable and desirable retirement properties, located in the communities where people in later life wish to live.** This should also include a better framework for consumer protection, including looking at innovative tenure models that promote the use of housing wealth to improve affordability and health outcomes.
2. **Government should lower the financial cost of downsizing by reducing stamp duty for people in later life.** By facilitating more downsizing and freeing up family homes, the government can recoup some of the lost tax revenues through an increase in upsizing stimulated by greater supply of larger housing stock.
3. **Government and regulators should normalise the use of housing wealth to maintain living standards in later life.** MoneyHelper and Pension Wise should embed housing wealth as a central part of later life advice and guidance. Government and public agencies should invest in public information campaigns to break down the stigma and normalise the use of housing wealth in retirement.
4. **Government and regulators should develop a personalised service for people, which brings their pension and housing wealth into a single view.** Once pension dashboards are completed, the government should look to build in housing wealth to give consumers a clear view of their financial position and options as they enter later life.
5. **The FCA should reform the regulation around later life advice, to break down silos and ensure all consumers are supported to maximise the use of all their assets as they approach retirement.** Specifically, the FCA should:
    a. Ensure that equity release advisers are obliged to consider all forms of later life lending.
    b. Ensure that advice on mainstream mortgages to people from the age of 50 onwards explicitly considers retirement planning, including later life lending options. This may be through referring people to retirement dashboards, midlife MOTs, or other professional advisers which bring together all sources of retirement wealth.

c. Build more explicit consideration of housing wealth into the FCA rulebook, such that financial advisers assess the role that housing wealth may play for customers in funding their retirement.

d. Allow for targeted support to assist consumers in considering their use of housing wealth as they plan for retirement (whilst ensuring that equity release remains an advised sale).

e. Use the levers of the Consumer Duty to ensure the UK has a vibrant and competitive later life lending market, which offers fair value to consumers and creates the conditions for product innovation. In advice markets, the FCA should use the Consumer Duty to eliminate product bias – and ensure that consumers are supported to achieve the best outcomes for their needs, regardless of which part of the advice market they are engaging with.

1. Introduction

This report sets out to answer the following question.

> How can government policy ensure that people maximise the use of their assets in later life, so that more people can live a good quality of life, meet any care needs, and have something to give to their loved ones if they want to?

This is undoubtedly a large question, and it is beyond the reach of a single study to comprehensively address all the intricacies involved. Rather, this is a contribution to the evidence base on how households' asset mix is set to change over the next few decades, and a consideration as to what policy interventions need to be taken today to support the best outcomes for tomorrow's retirees.

Our approach is based on economic modelling and interviews with over 20 organisations, including a broad range of independent experts, trade bodies, product manufacturers and distributors, qualifications bodies, and different types of specialist advisers. We have spoken to organisations across a range of relevant sectors, including pensions, financial advice, standard residential mortgages, equity release, and long-term care.

This report was paid for by the Equity Release Council. Fairer Finance agreed the research outline with the Equity Release Council but retained full editorial control over the output. The aim of the report was not to present equity release as the principal solution for future generations of retirees. Downsizing is an equally important and usually cheaper alternative – but one which is currently unattractive due to a lack of suitable housing stock. Downsizing and later life lending are not always mutually exclusive. The report looks neutrally at all ways to support more customers in accessing their housing wealth.

The views in this report are the views of Fairer Finance and do not necessarily reflect the Equity Release Council's views.

The Equity Release Council is the representative trade body for the equity release sector.[3]

[3] For more information about the Equity Release Council, see: https://www.equityreleasecouncil.com/about/.

2. The challenge of maintaining living standards in later life

2.01 Later life living standards will not be maintained through pensions alone

Younger cohorts in the UK will be less likely to meet their income needs in retirement through their pension pots alone. This is partly a result of the move from defined benefit (DB) pensions to defined contribution (DC) pensions. Many people with DC pensions are (on average) not saving sufficiently into their pension.

According to Scottish Widows, 38% of future retirees are on track for a retirement income below the Pension and Lifetime Saving Association's (PLSA) 'minimum standard'.[4] Of those retirees who have a pension income above the 'minimum standard', many will not have a pension income sufficient to meet their desired expenditure.

Gender inequality is relevant to pension wealth, with women having smaller pensions than men on average. The gender pension gap is estimated to be around 35%.[5]

The rising cost of housing in the UK increases the required level of income for renters in retirement. Further, the rising cost of housing will increase the number of people who will rent in retirement, or who haven't paid off a mortgage in retirement.[6] According to the Office of National Statistics (ONS), the proportion of people in the UK who do not own a property has risen from 29% in 2006-08, to 35% in 2020-22.[7]

2.02 People are living longer into later life

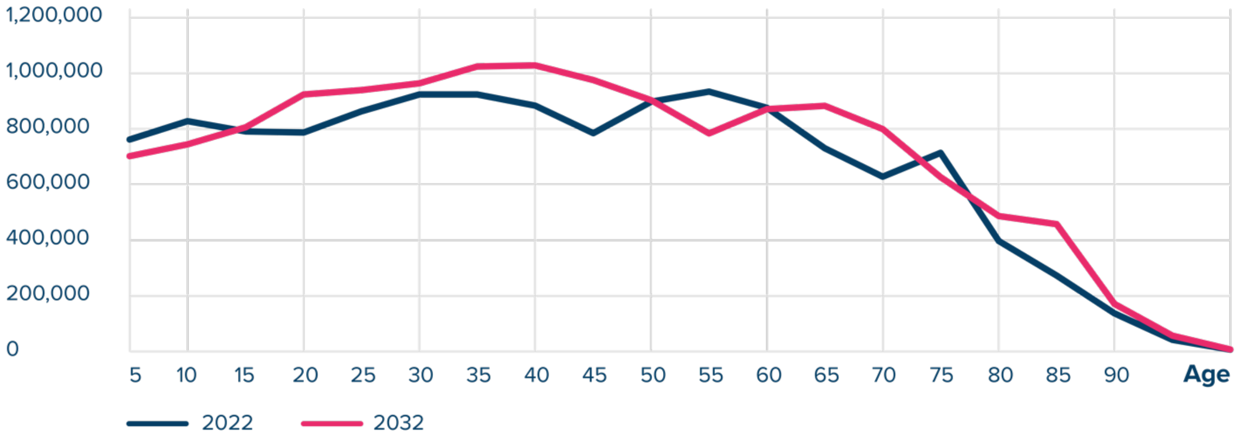
We live in an ageing society.[8] This has broad implications across housing, healthcare, personal finances, and macroeconomics. As life expectancy increases, so does the expected length of retirement. This means that the value of assets that is required to fund a certain level of living standards is rising.

Life expectancies have steadily increased over the last 40 years.[9] The demographic makeup of the UK is projected to shift over the next decade. The population older than the state pension age

[4] Scottish Widows (2024), 'Retirement Report 2024'.
[5] Specifically, based on 2018-20 data, the gap between male and female uncrystallised non-zero median pension wealth around normal minimum pension age is 35%. Department for Work and Pensions (2023), 'The Gender Pensions Gap in Private Pensions'.
[6] Office for National Statistics (2020), 'Living longer: changes in housing tenure over time'.
[7] Office for National Statistics (2025), 'Property wealth: wealth in Great Britain'.
[8] Office for National Statistics (2023). Profile of the older population living in England and Wales in 2021 and changes since 2011.
[9] Office for National Statistics (2024). Life expectancy for local areas of Great Britain

is projected to rise from 11.3 million to 13.7 million by the year 2032.[10] The projected shift in overall distribution of UK population demographics can be seen in Figure 1.

Figure 1: The projected age distribution of the UK population



Source: Fairer Finance, Office for National Statistics (2025), 'National population projections'.

2.03 Individuals in later life face economic risks

There are two primary economic risks affecting later life living standards – the risk of living longer and the risk of poor health or disability. These risks affect later life living standards – both at the average, and the distribution (i.e. the number of older people with very low living standards).

The risk of living longer

Life expectancy is uncertain, and individuals face a risk of 'running out' of income if they live longer than their wealth can support. Longevity risk is not the simple linear relationship that individuals might expect. For example, the average 70-year-old woman has a life expectancy of 88 years, whereas the average 80-year-old woman has a life expectancy of 90 years.[11]

On average, older people underestimate how much longer they will live for. If individuals had a more accurate understanding of their longevity risk, they might make different decisions.[12]

The risk of poor health or disability

Individuals may require healthcare or social care in later life ('care'). The risk of requiring care increases with age, and can be met through care in the home, or through moving to a residential care home. Care is often costly, with the cost depending on the nature of support provided. In England in 2023, the average annual cost of a residential care home without nursing care was £49,348, or £65,884 with nursing care.[13] Government schemes to contribute to care costs vary

[10] Office for National Statistics (2025), 'National population projections'
[11] Office for National Statistics (2025), 'Life expectancy calculator'.
[12] For example, Canada Life (2023), 'New retirement gap looms as people underestimate life expectancy'.
[13] LaingBuisson (2024), 'Care of Older People UK Market Report 34th edition 2024', as cited by PayingForCare.org (2024), 'How much does it cost?'.

between the UK nations (and even within England, the application of the schemes can vary by local authority). These schemes are currently means-tested, limited, and do not apply in all circumstances.

The risks of higher inflation and lower investment returns

Individuals face the risk that higher inflation erodes their savings at a faster rate than they expect. This also applies to non-inflation linked income, such as level annuities. Inflation is notoriously hard to predict, due to the role of external shocks. For example, domestic energy prices almost doubled in 2022, driving economy-wide inflation.[14]

Individuals also face the risk that their investments are more volatile in the short-run than expected, or generate a lower long-run return than expected. Different asset classes have different levels of volatility and return. For example, house prices typically have lower volatility than equities.

2.04 On average, people hold more housing wealth than pension wealth

In the face of insufficient pension wealth, the full range of assets will be required in order to maintain later life living standards. The most significant type of wealth held by UK households is net housing wealth (e.g. the value of the home).

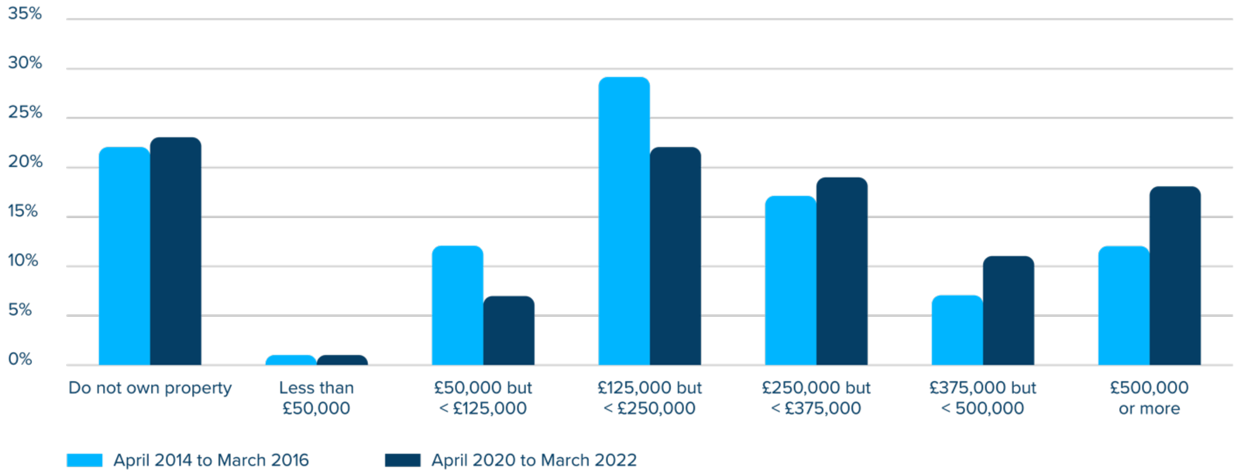
Across all households in the UK, housing wealth constituted 40% of total wealth (2020-22).[15] Pension wealth constituted 35%, meaning that more wealth is tied up in property than in pension pots.[16]

Housing wealth is unequally distributed across the population. For example, housing wealth constituted over half (51%) of total wealth in London but under a third (30%) in the North East of England.[17]

We also see housing wealth increasing for those in older cohorts. Those aged 65+ own valuable housing than those aged 65+ did a few years ago. This is partly due to rising house prices. This is shown in Figure 2.

14 Department for Energy Security & Net Zero (2024), 'Quarterly Energy Prices'.
15 Office for National Statistics (2025), 'Household total wealth in Great Britain: April 2020 to March 2022'.
16 Office for National Statistics (2025), 'Household total wealth in Great Britain: April 2020 to March 2022'.
The remainder is made up of financial wealth at 14% (e.g. savings) and physical wealth at 10% (e.g. vehicles). The numbers may not sum due to rounding.
17 Office for National Statistics (2025), 'Household total wealth in Great Britain: April 2020 to March 2022'.

Figure 2: Housing wealth of those aged 65



Source: Fairer Finance, Office for National Statistics (2025), 'Property wealth: wealth in Great Britain'.

2.05 Housing wealth will be key to maintaining later life living standards

Some consumers can be fairly categorised as 'cash poor, property rich'. These consumers own some (or all) of the valuable asset in which they live. They can access their property wealth through downsizing, or through secured borrowing against their home, or both.

Consumers can downsize and then use later life lending, as long as their new home meets the lending criteria of the mortgage provider. Alternatively, some later life lending products allow the consumer to downsize without penalty (as long as their new home meets the lending criteria).

Many consumers make trade-offs between their living standards and their ability to give an inheritance

Individuals face nuanced trade-offs about how they use their assets. For example, many individuals hold preferences for leaving an inheritance or gifting money to others at different points in time. In one study, 67% of people surveyed expected to leave money to their loved ones, with 29% expecting to leave over £200,000.[18] These preferences may change over time as the customer ages. The home is often seen as the primary vehicle for leaving an inheritance, partly driven by the design of inheritance tax (IHT).

We explain more of the behavioural barriers to effective decision-making over later life lending and downsizing in section 4.

Downsizing could be a long-term solution for many consumers

Individuals can increase their ability to meet consumption needs by selling their home and moving to a cheaper home. These homes are typically smaller or in a location where the housing is

[18] Demos (2023), 'The Inheritance Tax Puzzle'

cheaper. The individual's new home could be specialised retirement living, more suitable to their needs. Downsizing brings societal benefits by increasing 'bedroom utilisation'.

Previous studies have found that around one third of consumers over 55 have considered downsizing their home.[19] However, many of these people do not downsize their home. There is a significant disconnect between intentions to downsize and following through.[20]

Downsizing can be both emotionally and financially costly

Downsizing is seen as emotionally costly by many individuals, who wish to stay living in their current home and in their current location and community. Downsizing also comes with financial transaction costs (stamp duty, conveyancing fees, etc.) and non-financial transaction costs (the hassle of moving).

Financially, the value of the original home must be sufficient to mitigate fees, taxes such as stamp duty, and any annual charges on the new property before equity is released.[21] One study found that in 2024-15 the average amount of equity released by downsizing was only £13,800 (before costs).[22]

Downsizing also requires effort, draining consumers mentally as they leave what may have been the primary family home and deal with the stress of moving.[23]

There is a lack of suitable housing stock to downsize into

Even for those who are willing or able to pay these costs, there is a lack of suitable, cost-effective housing stock for them to move into.[24] Many consumers have specific physical needs or want to remain close to family and existing social networks, reducing the capacity to downsize. The lack of supply of retirement homes is well documented, and we would expect this shortage of supply to increase the prices of these homes. For example, the 2022 Mayhew Review found that only around 7,000 retirement homes are built each year, and recommended that this be increased to 50,000 new retirement homes a year.[25]

While not right for everyone in later life, downsizing is an integral piece of the later life financial puzzle. It must be part of any discussion surrounding later life financial and housing provision. The flexibility it allows later life consumers to live independently in a property which suits their needs whilst realising capital is a key part of any solution.

As it stands, this would require a shift in consumer behaviour and housing policy. Building more suitable properties would alleviate some of these issues, as consumers can downsize knowing their new property will meet their needs. Building more suitable properties, though, has a lengthy lead in time. Alternative solutions, in the short to medium term, must be considered to bridge this

[19] International Longevity Centre (2016). 'Generation Stuck'
[20] Park, A., & Ziegler, F. (2016) 'A Home for Life? A Critical Perspective on Housing Choice for "Downsizers" in the UK'
[21] Centre for Financial Innovation (2020). 'Too little, too late? Housing for an aging population'
[22] Institute for Fiscal Studies (2018), 'The use of housing wealth at older ages'.
[23] International Longevity Centre UK (2016). Generation Stuck
[24] Centre for Financial Innovation (2020). 'Too little, too late? Housing for an aging population'
[25] Mayhew, L. (2022), 'The Mayhew Review – Future-proofing retirement living: Easing the care and housing crises'.

gap. This would allow for all later life options to be catered for across the breadth of individual consumers' wants and needs.

Later life lending could be a long-term solution for many consumers

Those who cannot or do not wish to downsize can access their property wealth through later life lending.

For individuals who own their own home, secured credit against the home is typically a lower cost of borrowing than unsecured lending. Depending on the value of the home, and the proportion of the home that is owned by the consumer, a mortgage can release significant sums of money. In this way, a mortgage can be used to meet significant consumption needs.

Consumers currently face a degree of choice over whether to purchase a mortgage that will be repaid within their lifetime, as described below. Different products will be suitable for different consumers.

- **Residential mortgages** (or remortgages) must be repaid within their lifetime. This means that the customer must pass an affordability assessment for repaying the total sum borrowed plus interest. An affordability assessment is the way in which the lender assures itself that the borrower is likely to be able to afford to make the repayments. This is an important consumer protection as, is the repayments are not made, the home can be repossessed by the lender. Some providers of residential mortgages have raised or removed their maximum ages in recent years, meaning that more consumers in later life have residential mortgages.
- **Term interest only** (TIO) mortgages provide a way for the consumer to repay the interest on their mortgage during the mortgage term, with the principal repayable at the end of the term. This means that the customer must pass an affordability assessment for repaying the interest. These products are designed for people who will be able to repay their mortgage at the end of the term. However, some consumers with a TIO mortgage in later life may instead choose to move to a retirement interest only mortgage or a lifetime mortgage instead.
- **Retirement interest only** (RIO) mortgages provide a way for the consumer to repay the interest on their mortgage, but not the principal. This means that the customer must pass an affordability assessment for repaying the interest. Currently, RIO mortgages are not commonly sold in the UK.
- **Lifetime mortgages** provide a way for consumers aged 55+ to access the value of their home without being required to repay any of the borrowing until they pass away, sell their home, or go into residential care. As there are no mandatory repayments, the home cannot be repossessed.
    - Since 2022, members of the Equity Release Council have been required to offer new customers the opportunity to make penalty-free partial repayments. [26]

[26] Currently all UK providers are members of the Equity Release Council.

- For a number of years after the purchase of the lifetime mortgage, larger partial repayments or full repayments are typically subject to an early repayment charge.

- If customers do not cover the interest with voluntary repayments then the interest due on the loan compounds over time (which can grow to be more than the initial value of the loan). Rates are typically fixed for the life of the loan.

- Some lifetime mortgages allow consumers to borrow an initial sum, with the potential to access more (e.g. through an agreed drawdown facility which would not require reassessing the value of the home).

- Members of the Equity Release Council are required to allow for the customer to downsize their home without incurring an early repayment charge as long as the new home meets their lending criteria. In addition, should the homeowner move into care either in the residential home or with a relative, they will not be charged an early repayment charge if they have a medical certificate.

- Members of the Equity Release Council are also required to offer a no negative equity guarantee ('NNEG'), meaning that the customer's estate cannot end up owing more than the value of their home.

Of all new mortgage products sold to those aged over 55, 33% are lifetime mortgages.[27] The volumes of new lifetime mortgages fell significantly towards the end of 2022 as interest rates rose.[28]

Later life lending products could meet a more diverse set of consumer needs

Several types of innovative lifetime mortgage products are provided in other countries. These products might meet the more diverse and varied financial needs of some consumers. For example:

- **Automated or semi-automated income lifetime mortgages**. With some exceptions, lifetime mortgages with drawdown facilities tend to be relatively manual, with the consumer needing to make discrete drawdown transactions. Lifetime mortgages with pre-determined drawdown patterns (e.g. a set amount that increases with inflation each year) might provide additional utility to some consumers.

- **Lifetime mortgages which are more flexible and do not have early repayment charges**. In Australia, there are products which allow for more flexibility over the amount of equity accessed and repaid. The absence of an early repayment charge gives customers more flexibility. These Australian products may have a lower loan-to-value ratio than in the UK, and a variable interest

[27] Where the main borrower is over the age of 55, in Q3 2024, there were 17,706 residential mortgages (including house purchase, remortgage, RIO), compared to 5,830 lifetime mortgages. See: UK Finance (2024), 'Later Life Lending Update - Q3 2024'.
[28] Equity Release Council (2024), 'Q3 2024 lending data full report'.

rate.[29] We are aware of one provider in the UK which has a lifetime mortgage without an early repayment charge.[30] In general, we might expect the absence of an early repayment charge to be associated with higher interest rates on the mortgage.

- **Annuities directly funded by lifetime mortgages**. A lump sum lifetime mortgage could be used to fund an annuity product. Currently, consumers would need to undertake two transactions rather than one transaction (first the lifetime mortgage, then the annuity purchase). This could be a lower hassle (and potentially a lower cost) journey if undertaken through one transaction.
- **Short-term equity release**. Some consumers may benefit from being able to 'bridge the gap' between their current situation and a future point in time when their finances improve. For example, when they receive inheritance or are able to liquidate a different asset. Certain Canadian reverse mortgage products have a fixed interest rate for a limited term (e.g. 6 years), after which the early repayment charge is reduced or removed.[31]
- **Home equity line of credit (HELOC)**. In Canada and the USA, HELOC products provide secured credit (with lower interest rates than unsecured credit), against the security of the consumer's home. These products help meet short-term needs at lower cost but can result in the consumer losing their home if they do not keep up with repayments. HELOC products are not designed to bridge long-term gaps between desired living standards and pension income.[32]

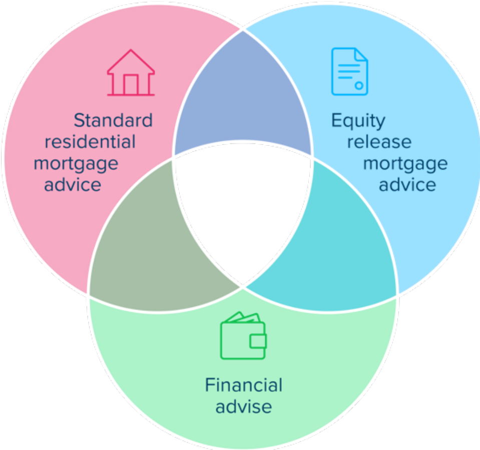
Regardless of the specific type of lifetime mortgage, lifetime mortgages are currently an advised sale in the UK. This means that consumers must seek advice from a qualified equity release adviser.

Later life lending is distributed through a fragmented and complex customer journey

Consumers seeking regulated advice face a complex landscape, which is likely to be opaque. This is shown in Figure 3. All three types of adviser must be FCA-authorised to operate.

[29] For example, see https://householdcapital.com.au/.
[30] See: https://www.more2life.co.uk/product/maxi-zero.
[31] For example, see: https://www.equitablebank.ca/reverse-mortgage/comparison-rates.
[32] For example, see: https://www.canada.ca/en/financial-consumer-agency/services/mortgages/home-equity-line-credit.html.

Figure 3: Silos in advice



Source: Fairer Finance.

- **'Standard residential' mortgages are distributed through mortgage brokers.**[33] These brokers are qualified to advise on the full range of residential mortgages and TIO mortgages. However, they cannot advise on equity release unless they have an additional qualification (which many do not hold). This means that many consumers in later life seeking residential mortgage advice may not receive advice on all types of available mortgages for them (e.g. lifetime mortgages).
- **Lifetime mortgages are distributed through equity release advisers**. Compared to residential mortgage brokers, these advisers have an additional certification on equity release products. In practice, these advisers may or may not also advise on standard residential mortgages (although they are required by the FCA to assist the consumer in understanding the alternatives to equity release mortgages). This means that some consumers seeking equity release advice may not receive advice on all types of available mortgages for them.
- **Financial advisers advise on pensions and financial wealth management**. Some financial advisers do not also advise on accessing housing wealth or lifetime mortgages. This means that consumers seeking financial advice on managing their wealth are not always receiving advice on managing their property wealth.

Some brokers advise on all types of mortgages, and some advisers have referral arrangements with other types of advisers.

However, we understand that the silos in advice are likely to lead to consumer detriment, as (in practice) they reduce the likelihood that consumers receive the most suitable advice. The current market design is likely to lead to some degree of path dependency, whereby the course of action recommended to the customer is affected by the type of adviser the customer first contacted.

The silos could also mean that consumers may have to go through several advice journeys, increasing the friction in the journey.

[33] Consumers can also purchase standard residential mortgages without receiving advice (i.e. on an execution only basis).

Consumers are not having the right conversations at the right time about later life finances

Given that the provision of advice is fragmented and complex for people, we might expect consumers to be having broader conversations about their various sources of wealth and options for funding their living standards in later life. However, information and about later life finances is often presented in silos.

For example, someone who is highly engaged with their pension might not be prompted to consider whether their housing wealth could also meet their needs in retirement. This 'engaged pensions' customer might read all the information provided by their pension providers, they might access information through Pension Wise, and read more about their options on MoneyHelper. These trusted sources of information are typically focused on pension wealth.

2.06 Later life starts when people begin to decumulate their assets

Later life is a period of change and important financial touchpoints

Individuals' career and home lives typically change dramatically during later life, necessitating careful financial planning to adapt to meet any new challenges or opportunities. For the purposes of this report, we define later life as starting when people begin to decumulate their assets.

Our definition of later life focuses on the economic journey that people experience, and it is important to recognise that the economic journey is largely driven by non-economic factors. As people age, social and health factors drive changes in personal finances and financial decisions.

Viewing consumer behaviour through this lens gives policymakers and financial institutions a conceptualisation of 'later life' as a series of touchpoints that all adult consumers go through. The challenges and opportunities for reflection that each stage presents can inform how best to frame consumers' thinking about their financial assets as they reach these touchpoints.

Individuals only enter later life once. It is hard for people to learn from and then rectify any mistakes or missed opportunities. Many of the financial decisions in later life are one-shot, rather than repeated. We do not want people to later regret their decisions in the run-up to, or after, retirement.

The economic risks faced by individuals in later life vary over time

As the individual ages, the nature of the risks change. This means that we must understand the overarching economic journey as experienced by people in later life.

Defining later life is not about constraining individual choices – indeed, in this report, we argue in favour of giving people more choice. Rather, a common understanding of later life will help the policy debate focus on key challenges and opportunities – enabling more people to reach their varied financial objectives.

Later life starts when decumulation begins

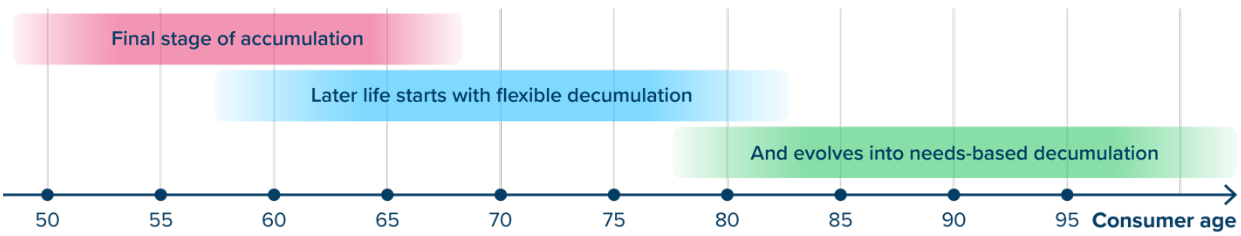
Some people begin to decumulate their assets when they start to withdraw from their pension, for example through accessing the tax-free cash at age 57. Alternatively, they may not take the tax-free cash in their 50s and begin to decumulate their pension later. Other people begin to decumulate when they downsize their home to release some of their housing wealth. Typically, people begin to decumulate between age 57 and 67.

We now explore three key life stages, which are also shown in Figure 4.

- Prior to later life, the final stage of accumulation.
- Later life flexible decumulation.
- Later life needs-based decumulation.

Adults go through distinct stages of development, with each stage presenting consumers with unique challenges and opportunities.34 35 Our analysis is based on psychological, social, and financial research on adult development. Whilst many of these steps are common to adults in each age bracket, they will not be universal. They may be experienced in different sequences, at different times, or not at all.

Figure 4: The journey into and through later life



Source: Fairer Finance.

Prior to later life, people are in their final stage of accumulation

As of 2022, there were 13.3 million people aged between 50 and 64.[36] By the year 2032, there are predicted to be 12.8 million.[37] Many people in this age range will be in their final stage of accumulation, and some will have begun their decumulation.

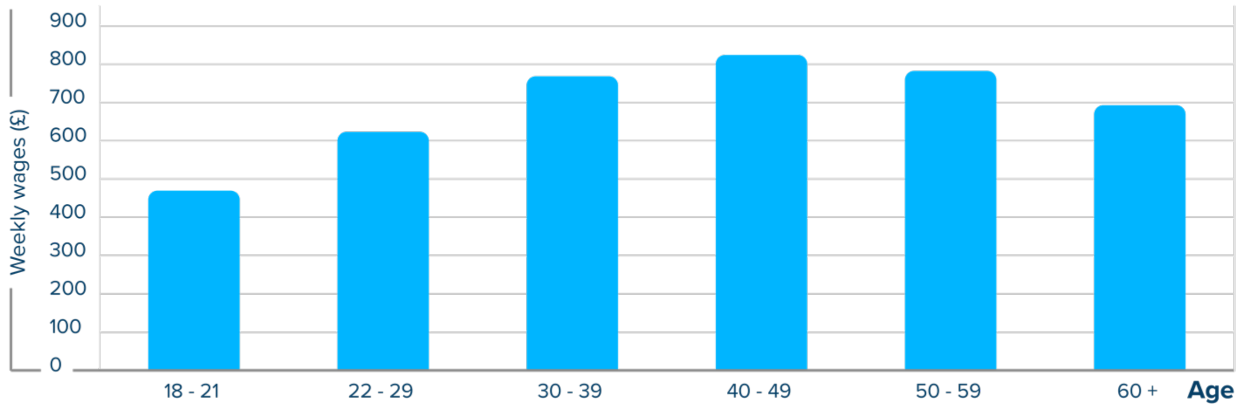
This phase is socially and financially critical for outcomes in later life.38 Cognitive abilities start to plateau, and physical health may start to decline. The healthy life expectancy of an adult in

[34] Lachman, M. E., Teshale, S., & Agrigoroaei, S. (2015). Midlife as a pivotal period in the life course: Balancing growth and decline at the crossroads of youth and old age. International journal of behavioral development, 39(1), 20–31.
[35] Halloran, E.C. (2024). Adult development and associated health risks. Journal of patient-centered research and reviews, 11 1, 63-67.
[36] Office for National Statistics (2024). 'Estimates of the population for the UK, England, Wales, Scotland, and Northern Ireland'
[37] Office for National Statistics (2025). 'National population projections'
[38] Lachman, M. E., Teshale, S., & Agrigoroaei, S. (2015), 'Midlife as a pivotal period in the life course: Balancing growth and decline at the crossroads of youth and old age', International Journal of Behavioral Development, 39(1), 20–31.

England is 61.9 for women and 61.5 for men.[39] Whilst not a guarantee of the onset of ill health, this might mean that health considerations may have a larger influence on financial decision-making.

Consumers in this stage tend to experience reducing earnings, as can be seen in Figure 5. For those with children, childcare responsibilities may lessen.[40] There are important financial considerations to be made after pension freedom at age 57.

Figure 5: Median gross weekly pay by age (£).



*Source: Fairer Finance, Office for National Statistics (2024), '**Employee earnings in the UK**'.*

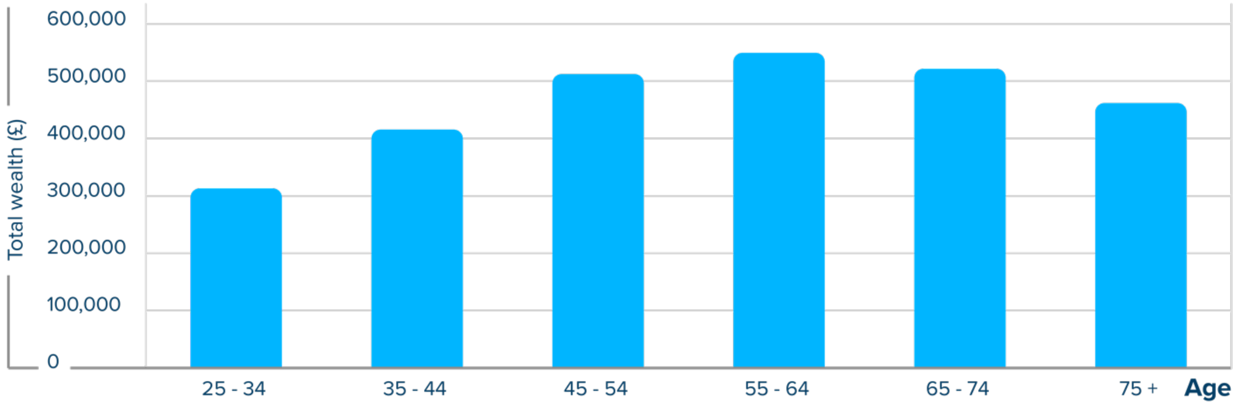
Later life starts with flexible decumulation

As of 2022, there were 9.3 million adults aged between 65-79 years old in the UK.[41] By the year 2032, this is predicted to rise to 10.8 million.[42] Typically people will have begun to decumulate by the age of 67, with some having started in their 50s.

This stage marks the beginning of later life and is characterised by changing consumption profiles for adults in this age bracket.[43] Spending on international travel and other desire-based expenditure increases, whilst spending on motor travel and in-house food decreases. This profile change is influenced by the socio-economic background of the individual consumer with total expenditure decreasing in general. Household total wealth tends to be at its peak during this period, as can be seen in Figure 6.

[39] ONS (2024), 'Healthy life expectancy in England and Wales: between 2011 to 2013 and 2021 to 2023'.
[40] Lachman, M. E., Teshale, S., & Agrigoroaei, S. (2015), 'Midlife as a pivotal period in the life course: Balancing growth and decline at the crossroads of youth and old age', International Journal of Behavioral Development, 39(1), 20–31.
[41] Office for National Statistics (2024). 'Estimates of the population for the UK, England, Wales, Scotland, and Northern Ireland'
[42] Office for National Statistics (2025). 'National population projections'
[43] R, Crawford and H, Karjalainen and D, Sturrock. (2022). How does spending change through retirement?. London: The IFS.

Figure 6: Median household total wealth (£) by household head age



Source: Fairer Finance, Office for National Statistics (2025), 'Household total wealth in Great Britain April 2020 to March 2022'

Physically and cognitively, this tends to be a period of decline for adults in this stage.[44] The average age for losing a spouse falls within this age bracket bringing about important financial implications for wealth management.[45]

With decisions to be made about retirement and the desired pension outcome for consumers, this period is important as a touchstone for assessing the consumer's needs and wants. It might also be a key time to assess gifting money to future generations.

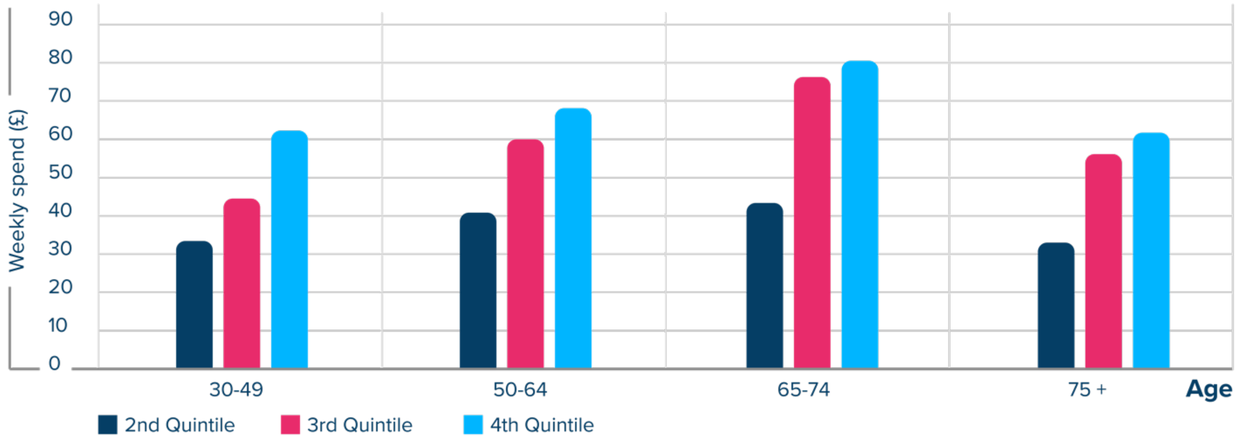
Later life evolves into needs-based decumulation

As of 2022, there were 3.4 million adults aged 80 or over in the UK.[46] By the year 2032, this is predicted to rise to 4.6 million.[47]

Economic consumption patterns tend to change over the course of later life.[48] Household spending on discretionary categories tends to decline as people move into their late 70s and 80s. These changes affect consumers' desire and ability to utilise their wealth in discretionary spending, examples of these trends can be seen in Figure 7.[49]

[44] Lachman, M. E., Teshale, S., & Agrigoroaei, S. (2015), 'Midlife as a pivotal period in the life course: Balancing growth and decline at the crossroads of youth and old age', International journal of behavioral development, 39(1), 20–31.
[45] Age UK (2019), 'You are not alone. Advice and support following bereavement'.
[46] Office for National Statistics (2024). 'Estimates of the population for the UK, England, Wales, Scotland, and Northern Ireland'.
[47] Office for National Statistics (2025). 'National population projections'.
[48] Institute for Fiscal Studies (2022), 'How does spending change through retirement?'.
[49] These changes in spending patterns are not consistent across sectors and wealth quintiles, which may be driven by some consumers experiencing real income increase over the course of retirement. Going forward, we might expect to see a more consistent decline in discretionary spending with age, as the gap between retirement income and desired spending is likely to be larger for many people.

Figure 7: Average weekly household expenditure on recreation and culture by age



Note: quintiles refer to gross income distribution

Source: Fairer Finance, Office for National Statistics (2024), 'Family spending workbook 2: expenditure by income'.

Whilst household spending tends to decrease in this age bracket, there are increased expenditures on meeting care needs as physical and cognitive health declines.[50] Some of this provision can be met by residential care centres, but there is a preference for owner-occupiers to remain in their own home.[51]

When asked whether they preferred to stay in the property that they currently lived in, 91% of adults aged 65-74 said they either agreed or strongly agreed, rising to 95% for those aged 75+.[52] There is a lack of existing housing stock which meets the wellbeing needs of this population, limiting the capacity for downsizing to meet healthcare and financial needs.

Based on our understanding of later life, we have modelled the role that housing wealth could play in maintain living standards in later life. This is described in section 3.

[50] Age UK Age UK issues clarion call for a big shift towards joined up home and community based health and social care services for older people.
[51] Ministry of Housing, Communities and Local Government The Older People's Housing Taskforce Report - GOV.UK.
[52] Coco, J.F. & Lopes, P. (2019). Aging in Place, Housing Maintenance and Reverse Mortgages. The Review of Economic Studies, Volume 87, Issue 4, July 2020, Pages 1799–1836.

3. The opportunity: enabling individuals to access their housing wealth

Housing wealth could clearly play a role in helping many households maintain their living standards in later life. In section 3 we quantify this through economic modelling.

- We describe the economic model in section 3.01.
- We outline the results of the model at a household level in section 3.02.
- We provide the aggregate results of the model in section 3.03.

3.01 The economic model

In order to examine how individuals might better meet their spending needs during later life – as detailed in Section 2 – we have developed an economic model. This model explores how housing wealth could, in principle, contribute to meet any gaps in available finances for different households.[53]

We have modelled the way in which housing wealth can be used to increase living standards in later life. However, this is not a forecast. Rather, we estimate the size of the opportunity if policymakers, regulators, and industry can overcome the barriers that stand in the way of people accessing the value of their home through lifetime mortgages.

The model looks forward to 2040. The model estimates the difference between desired spending and household income in 2040, for the population aged 60 and above. Where the desired spending is greater than the household income, we model the potential impact of people accessing the value of their home through a lifetime mortgage.

We have not modelled the way in which people make the trade-off between their standard of living and their ability to give an inheritance. Some people are likely to choose to accept a lower quality of life, to preserve some (or all) of the value of their home as inheritance.

We have made reasonable and conservative assumptions. Our assumptions are based on historic data and logical inferences. Where there is judgement required, we have erred on the side of increasing income after retirement and reducing spending needs after retirement. This means that our estimate of the opportunity for later life lending to increase living standards is conservative.

[53] Full details of the economic model can be found in the appendix.

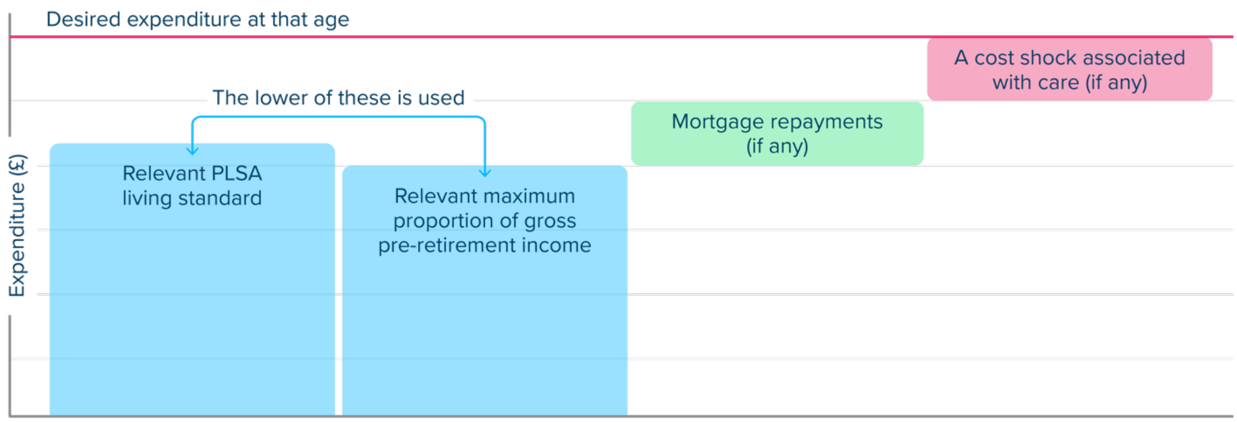
Desired expenditure in later life is based on living standards, repaying mortgages, and care costs

We assume that the desired expenditure for each household is based on the PLSA living standards.[54] This can lead to households targeting a level of income in retirement which appears unrealistic, given their pre-retirement income. Therefore, to be conservative, we limit the desired expenditure relative to gross pre-retirement income.[55]

In addition, some households face the cost of repaying their residential mortgage after the age of 60. Further, some households face a cost shock associated with requiring long-term care. This is shown in Figure 8.

It is possible that some households have greater desired expenditure than we have modelled. For example, to pay for substantial discretionary purchases that go above and beyond the PLSA standards.

Figure 8: Stylised approach to modelling desired expenditure



Note: Illustrative only (not to scale). There is significant variation between households and over time. The relevant PLSA living standard is determined by whether the household is low, mid, or high income. Similarly, the relevant maximum proportion of gross pre-retirement income is determined by whether the household is low, mid, or high income.

Source: Fairer Finance.

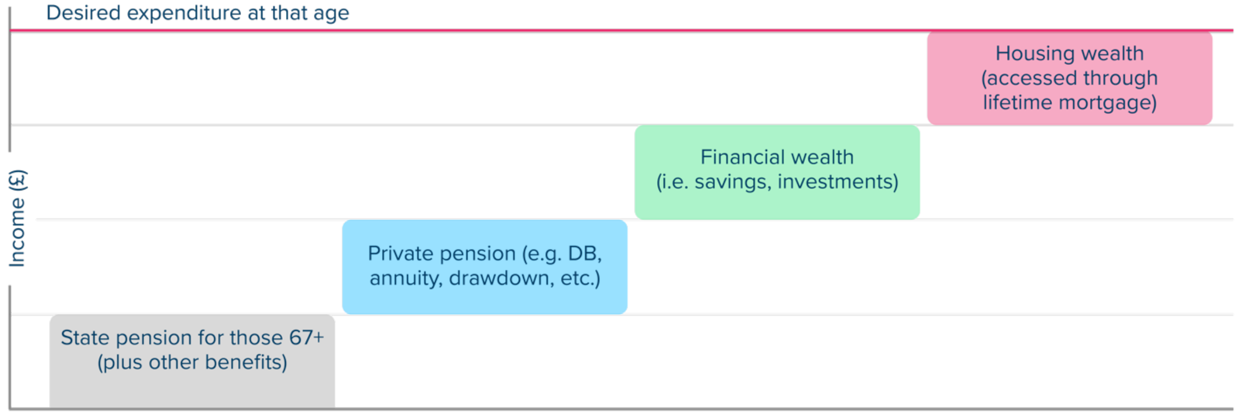
Housing wealth is accessed through later life lending once other sources of income are exhausted

We assume that households first access their pension income before accessing their savings to fund their desired spending. If the combination of these is insufficient or exhausted, we assume the household accesses the value of their home to fund their desired spending. This is shown in Figure 9.

[54] High-income households target PLSA ‘comfortable’, and low- and mid-income households target PLSA ‘moderate’.
[55] Mid- and high-income households target no more than 70% of gross pre-retirement income, while low-income households target no more than 80% of gross pre-retirement income.

The combination of benefits (which is mostly the state pension), private pension, savings, and housing wealth may be insufficient to meet the desired spending.[56] In these cases, the unmet spending needs signal that the household will enjoy a lower living standard.

Figure 9: Stylised approach to modelling sources of income



Note: Illustrative only (not to scale). There is significant variation between households and over time. Many households do not need to access housing wealth to reach their desired expenditure at a given age. Even with housing wealth, some households cannot reach their desired expenditure at a given age (resulting in a lower standard of living).

Source: Fairer Finance.

The potential role of housing wealth varies by the levels of household income and housing wealth

We model nine financial personas. These personas represent 75% of the population aged 60 and above.[57] The personas vary in their income and housing wealth and are outlined in Table 1.

[56] We have based state benefits income on the current level of state benefits received by pensioners, according to the ONS. We adjust this for inflation. We recognise that the level of state benefits to pensioners could increase over time in real terms, e.g. due to increasing national insurance contributions. Alternatively, it is possible that the level of state benefits is reduced in order to reduce the total cost of these state benefits.

[57] In other words, we assume that 25% of the population aged 60 and above will have no use for later life lending. While renting has been rising, increasing home ownership is likely to remain a public policy objective. Ultimately, it is difficult to predict the exact proportion of people in later life who will have housing wealth in 2040, and so we have based our modelling on the current situation. Further, to be conservative, we assume those aged under 60 have no use for later life lending.

Table 1: Financial personas – property wealth for a couple aged 50 in 2025

	Property wealth: low	Property wealth: mid	Property wealth: high
Pension income: low	Persona 1 **£148,644**	Persona 4 **£233,583**	Persona 7 **£353,914**
Pension income: mid	Persona 2 **£218,011**	Persona 5 **£342,588**	Persona 8 **£519,073**
Pension income: high	Persona 3 **£237,830**	Persona 6 **£373,733**	Persona 9 **£566,252**

Note: The property wealth was calibrated from ONS datasets on property wealth. Some degree of estimation is required, in terms of the assumed correlation between property wealth and income. The 2025 figures are then uprated for inflation in the model.

Source: Fairer Finance.

For each of the nine personas, we model a series of demographic factors, external shocks, and different choices. These are as follows:

- Whether the household is a couple or a single, and the age at which the first person in a couple dies.
- Whether the first person in the household experiences a cost shock associated with requiring long-term care and the age at which this occurs.
- The age at which the household stops working.
- Whether the household has an outstanding residential mortgage.[58]
- The type of pension income that the household has access to, or chooses.
- The level of realised investment returns.

We have considered a large number of different combinations of these factors, to form a representative view across the population. As a consequence, in total, we model 9,720 different scenarios.

3.02 The benefits of accessing housing wealth to households

We model the use of later life lending to thousands of households experiencing different circumstances and making different choices. While we cannot show all of these scenarios here, we show several examples below to illustrate key findings of the model.

[58] It is also possible that – for some households – repaying unsecured lending or car finance increases their desired spending. However, to be conservative, our modelling does not increase desired expenditure for these factors (and focusses on repaying mortgages).

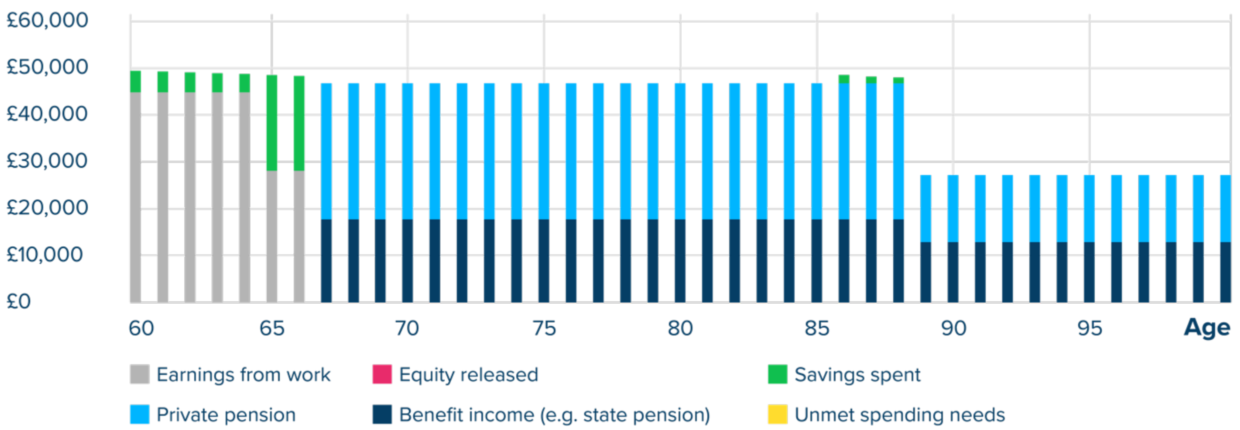
Many households do not need to access their housing wealth

We find that many households do not require later life lending. Their pension income and savings are sufficient to meet their desired spending.

An example of this is shown in Figure 10. In this scenario, the household has an outstanding mortgage and uses savings to bridge the gap between earnings and the desired spending at ages 60-66. At 67, the household receives the state pension and its private pension, and can fully meet its desired spending. At 86 there is a cost shock associated with requiring care which is fully met by savings. At 89, the spending needs reduce as the first person in the couple dies, and the combination of state pension and private pension is again enough to meet the spending needs of the surviving partner.

Figure 10 shows the second person in the household surviving to the age of 100. This is for the purposes of illustration. Our model assumes that people pass away in line with longevity statistics.

Figure 10: In some scenarios, housing wealth is not required to maintain living standards



Note: 2025 prices. Persona 7 (high housing wealth, low income). Couple retires at 67 with an outstanding mortgage. There is a cost shock associated with requiring care at age 86, with the first person in the couple passing away at 89. Couple has a DB pension. Market returns of 4.50%. Second person in the couple dies in line with longevity statistics (but shown here to live to 100 for the purposes of illustration).

Source: Fairer Finance.

Some households have access to sufficient housing wealth to maintain their living standards

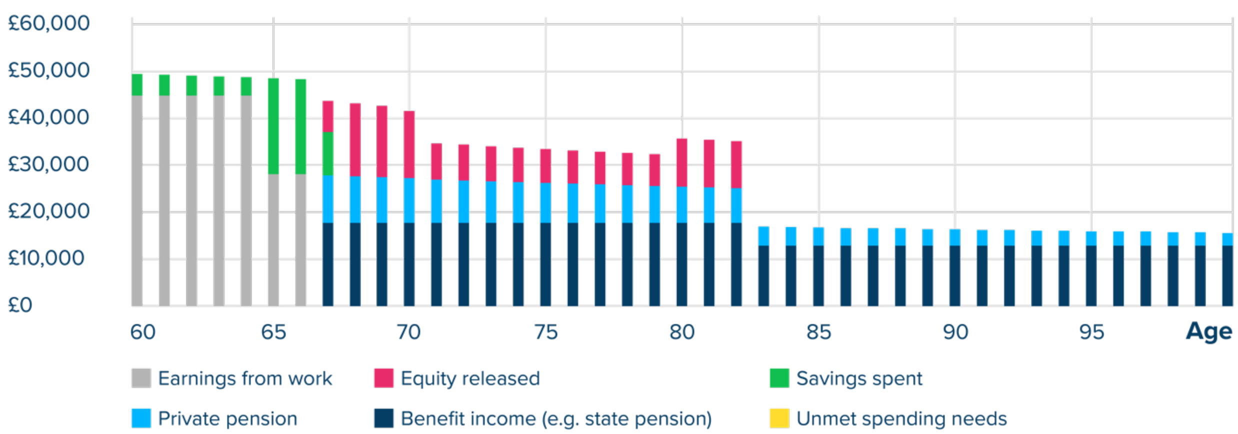
We find that many households do require housing wealth to maintain their living standards. For some of these households, the housing wealth is sufficient to bridge the gap between pension income and the desired standard of living.

An example of this is shown in Figure 11. In this scenario, the household has an outstanding mortgage and uses savings to bridge the gap between earnings and the desired spending at ages 60-66. At 67, the household receives the state pension and its private pension. However, pension income is not sufficient to meet the desired spending, and the household also runs out of savings at 67. Therefore, at 67 the household starts to access the value of its housing.

At 86 there is a cost shock associated with requiring care. These care costs are fully met by equity release. At 84 the spending needs reduce as the first person in the couple dies, and the combination of state pension and private pension meet the spending needs of the surviving partner. No more housing wealth is required from 84 onwards.

Figure 11 shows the second person in the household surviving to the age of 100. This is for the purposes of illustration. Our model assumes that people pass away in line with longevity statistics.

Figure 11: In some scenarios, housing wealth is sufficient to bridge the gap between pension income and the desired standard of living



Note: 2025 prices. Persona 7 (high housing wealth, low income). Couple retires at 67 with an outstanding mortgage. There is a cost shock associated with requiring care at age 80, with the first person in the couple passing away at 83. Couple has an annuity. Market returns of 4.50%. Second person in the couple dies in line with longevity statistics (but shown here to live to 100 for the purposes of illustration).

Source: Fairer Finance.

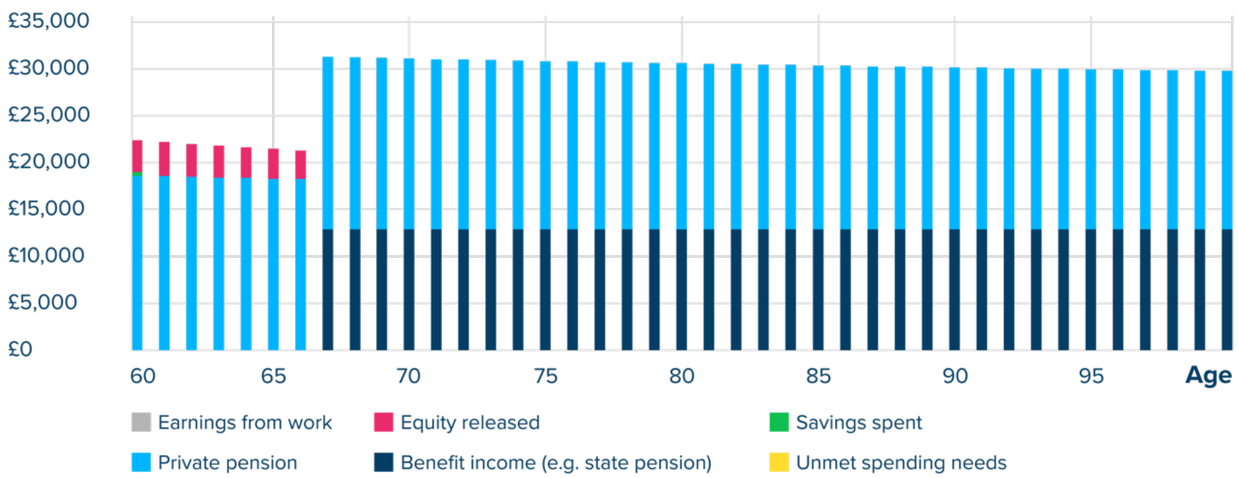
Some households access housing wealth to maintain their living standards before they receive the state pension

We find that there is a particular challenge to living standards for those households that stop working at 60. They may stop working out of choice, or because of external reasons such as poor health. For households with limited savings, later life lending provides a bridge to maintain living standards before the state pension is received at 67.

An example of this is shown in Figure 12. In this scenario, the household retires at 60 with limited savings. At 60-66, the household accesses some of its housing wealth to maintain living standards. From 67 onwards, no equity release is required to maintain living standards.

Figure 12 shows the person surviving to the age of 100. This is for the purposes of illustration. Our model assumes that people pass away in line with longevity statistics.

Figure 12: In some scenarios, housing wealth maintains the standard of living until the household receives the state pension



Note: 2025 prices. Persona 2 (low housing wealth, mid income). Single retires at 60 without an outstanding mortgage. There is no cost associated with requiring care. Half the single's pension is DB, and half is an annuity. Market returns of 4.50%. The single dies in line with longevity statistics (but shown here to live to 100 for the purposes of illustration).

Source: Fairer Finance.

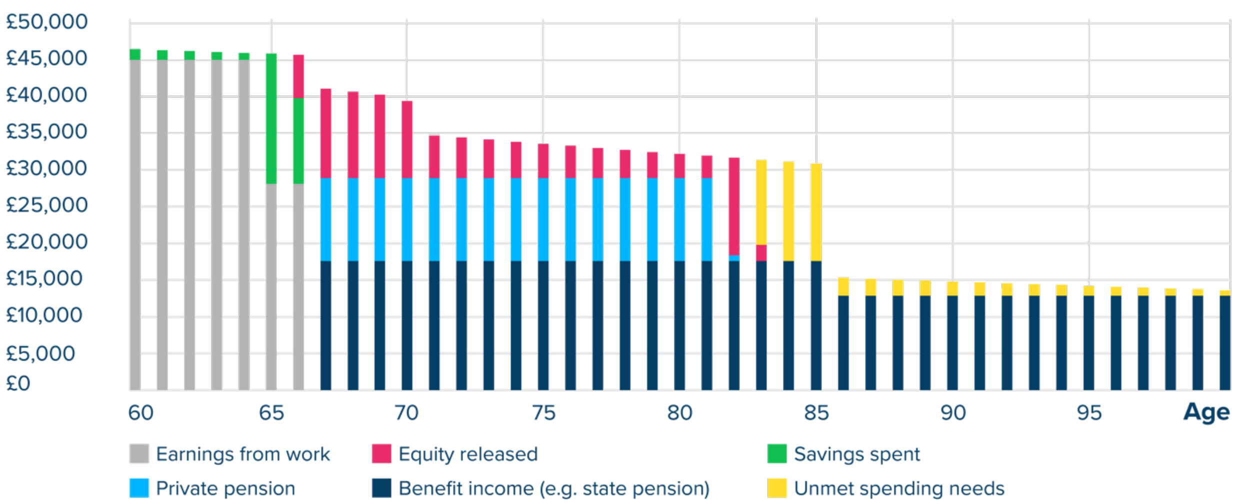
Some households access housing wealth to maintain their living standards until their housing wealth runs out

We find that some households do not have sufficient housing wealth to sustain their living standards for longer than a short period of time. The household releases as much equity as it can, until it can release no more. At this point, the living standards fall as the household has no other untapped source of wealth.

An example of this is shown in Figure 13. In this scenario, the household accesses its housing wealth from 67 to 83. Even though the household is drawing down a relatively high proportion of its drawdown pot each year, it still requires some equity release to maintain living standards. The drawdown pot is exhausted at 82. However, the household runs out of accessible housing wealth at 83. This means that, from 83 onwards, there is unmet spending needs and therefore a lower standard of living.

Figure 13 shows the second person in the household surviving to the age of 100. This is for the purposes of illustration. Our model assumes that people pass away in line with longevity statistics.

Figure 13: In some scenarios, housing wealth maintains the standard of living until it is exhausted, and the standard of living drops



Note: 2025 prices. Persona 4 (mid housing wealth, low income). Couple retires at 67 with an outstanding mortgage. There is no cost shock associated with requiring care. The first person in the couple passes away at 86. Couple withdraws 8% of initial drawdown pot size. Market returns of 4.50%. Second person in the couple dies in line with longevity statistics (but shown here to live to 100 for the purposes of illustration).

Source: Fairer Finance.

3.03 The aggregate economic benefits of individuals accessing housing wealth

The 9,720 different household scenarios have been designed to represent the range of outcomes we might expect for 75% of the whole population aged 60 and above. These outcomes can be aggregated – using suitable weightings based on available statistics – to provide UK-wide totals.

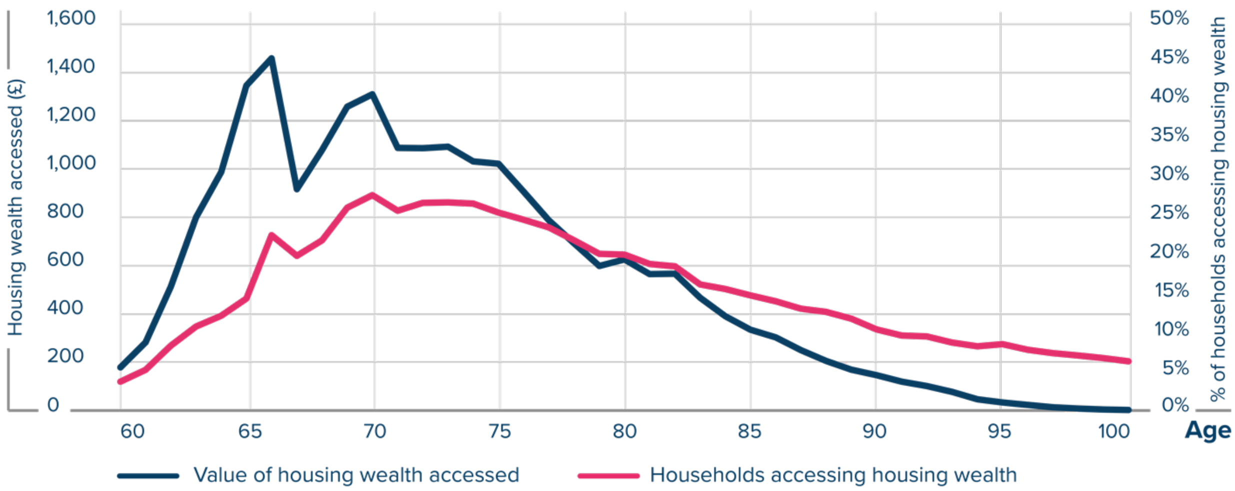
Based on this aggregation, our modelling suggests that the median age at which households start to access their housing wealth to maintain living standards is 69. The use of housing wealth peaks in the 70s.

On average, those accessing their housing wealth before the state pension age access larger amounts of equity than those accessing their housing wealth after the state pension age. In other words, those accessing the housing wealth 60-66 tend to face a greater challenge to their living standards.

The average size of the housing wealth accessed falls at 71. This is because we assume that households repay their residential mortgage by 70 at the latest.

While much of the use of housing wealth is driven by costs associated with care, these are averaged out by age and we do not see specific peaks of equity release usage in the 80s or 90s. In other words, while some households face care costs at 79, some face care costs at 80, 81, etc.

Figure 14: The value of housing wealth accessed, and the proportion of households accessing housing wealth by age



Note: 2025 prices.

Source: Fairer Finance.

We estimate that £23bn of housing wealth could be accessed each year, to reach higher living standards

The modelling suggests that the UK population of people aged 60 and above would access approximately £23bn of housing wealth each year, in 2025 prices. This figure is based on the modelled population in 2040 (adjusted for inflation) and considers only meeting the spending needs defined in the model. Therefore, this figure does not consider the use of housing wealth to meet other needs, such as giving inheritance at a time of the consumer's choosing.

The housing wealth of those aged 60+ is modelled to be approximately £4,300 billion in 2040, so the annual withdrawal would be approximately 0.5% of total housing wealth.

Without this spending, these households would have a lower standard of living. For some households, this might also mean that they claim more means-tested benefits.

We estimate that 51% of households might access housing wealth to reach their desired living standards during later life

Based on the modelling, we estimate that by the age of 90,[59] some 51% of households would have accessed housing wealth to meet spending needs at some point since the age of 60. Our modelling for the year 2040 suggests that approximately 18% of households aged 60+ might access their housing wealth in that year. Modelled households often access relatively small amounts of housing wealth over a number of years, to meet spending needs.[60]

We find that the financial 'personas' with lower income are more likely to access housing wealth than richer personas, with some 83% of modelled 'persona 1' households accessing housing wealth to meet spending needs.

The modelling assumes people only access housing wealth when required, and the average amount in any given year is estimated to be £9,000, in 2025 prices. Of those that do access housing wealth, the median total amount taken over their lifetime is £140,000, from this modelling.

Modelled as later life lending, including interest accumulation, the model suggests that by age 80 (assuming all households live to be at least 80), some 15% of all households will have later life lending worth at least 50% of their housing wealth, suggesting that they may have exhausted the accessible property wealth.

[59] In the modelling, nearly everyone who accesses housing wealth has done so for the first time before age 90.
[60] We model households accessing housing wealth as and when they need to, without bringing in frictions such as transaction costs.

Table 2: The proportion of each financial persona that accesses housing wealth

	Property wealth: low	Property wealth: mid	Property wealth: high
Pension income: low	Persona 1 **83%**	Persona 4 **72%**	Persona 7 **60%**
Pension income: mid	Persona 2 **77%**	Persona 5 **68%**	Persona 8 **56%**
Pension income: high	Persona 3 **74%**	Persona 6 **66%**	Persona 9 **55%**

Note: The table does not show the 25% of the population aged 60 and above which is assumed not to access any housing wealth, which is why the figures average to 68%, rather than 51% of all households.

Source: Fairer Finance.

The gross value added (GVA) of this spending is worth £21bn to the UK economy

Based on the aggregate spending of £23bn enabled by individuals accessing their housing wealth, we estimate that the GVA contribution of this spending. We base this estimate on typical spending patterns of those aged 60 and over. The direct GVA would be some £12bn, with an additional indirect GVA contribution of £9bn.[61] The sum GVA impact of £21bn would represent approximately 0.7% of total UK GDP in 2040.[62]

Of course, there are a great many uncertainties surrounding the overall potential economic impact of households making greater use of housing wealth in later life. For example, how the greater use of housing wealth might affect spending of future generations. However, it is clear that the scale of potential spending is significant at a macroeconomic level.

Given the potential role for housing wealth to maintain living standards for people in later life, we explore how to overcome the barriers to consumers making the most of their housing wealth. This can be found in section 4, below.

[61] We calculate the GVA for the total amount of spending enabled by equity release using the ONS input-output tables for 2021 (the latest available year) as well as the ONS estimates of spending patterns up to 2023.
[62] We have assumed an average UK real GDP growth rate of 1.2% per annum, in line with recent consensus forecasts. We have not attempted to estimate further 'induced' GDP impacts due to the considerable uncertainties surrounding how overall spending and employment patterns could evolve.

4. Overcoming barriers to consumers making the most of their housing wealth

As described in section 3, economic modelling finds that approximately half of households could use property wealth to help them meet spending needs during later life. Income and savings can be insufficient to meet spending needs for a range of reasons, including early retirement, exhausting DC pension pots and care-related cost shocks, and property wealth could help to cover funding gaps. However, for property wealth to be used in this way, if households choose to do so, a number of existing barriers would need to be addressed.

In section 4 we cover:

- Demand side barriers to making the most of housing wealth through downsizing or later life lending, and our recommendations for overcoming key barriers (section 4.01).
- Supply side barriers to making the most of housing wealth through downsizing or later life lending, and our recommendations for overcoming key barriers (section 4.02).
- A summary of our five recommendations (section 4.03).

4.01 Demand side barriers to making the most of housing wealth through downsizing or later life lending

Encouraging and enabling consumers to engage with their later life financial options cannot happen in a vacuum. There must be a clear understanding of the barriers consumers face in engaging with later life financial decisions. We analyse demand side barriers through the 'Four A's' framework, shown in Figure 15.

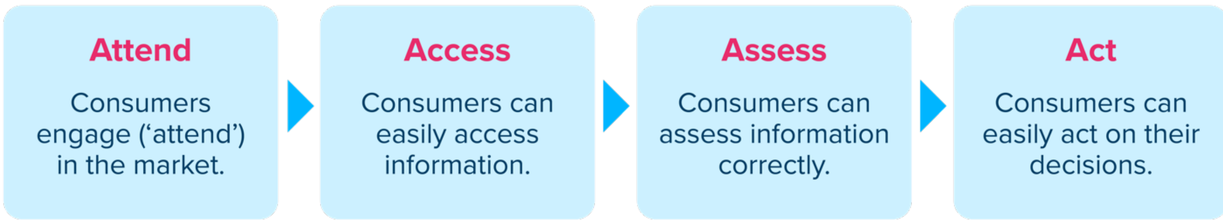
Consumers need to have the right conversations at the right time. Consumers must **engage** with their later life finances at important touchpoints as they go through working life, as they approach retirement, and as they navigate retirement.

These conversations must guide consumers towards accessible and trusted sources of information, informing consumers about their options. For consumers to make good decisions about their later life finances, they must **access** this information.

Consumers must then **assess** the nature of the trade-offs they face. For consumers to be making well-informed decisions, they need to understand the benefits, risks and costs of different options. Consumers must be able to compare different courses of action regarding their pensions, investments, savings, and housing wealth. Consumers must understand the likely impact of these decisions on their ability to give an inheritance and the timing of this inheritance, and their ability to receive state benefits.

Having made their choices, consumers must then be able to **act** on their decisions.

Figure 15: The Four A's framework



Source: Fairer Finance based on FCA and CMA (2018), 'Helping people get a better deal: Learning lessons about consumer facing remedies', and Fletcher, A. (2018), 'Disclosure and Other Tools for Enhancing Consumer Engagement and Competition', Centre for Competition mortgage working paper 18-13.

In the following we focus on the major demand side barriers at each of these four stages. Each consumer will have their own unique decisions to make, and financial situation to consider. These barriers serve as a jumping-off point for discussion about how we can best support consumers in making the best decisions about their later life finances.

We make our recommendations throughout. Any policy changes must be consumer focused. When considering how to enable the full range of consumers to use their assets in later life to maintain their living standards, there is no one-size-fits-all remedy. As demonstrated in section 3, there is a high degree of heterogeneity in demographics, wealth, health, desired financial outcomes, and preferences over inheritance. Our recommendations provide a way to better meet the diverse range of consumer needs in later life.

Many consumers do not engage with their later life finances, or engage too late

Some consumers do not consider their housing wealth as part of their thinking about later life finances

Consumers often mentally divide their financial assets and expected costs into 'buckets' to make sense of their finances. This is called mental accounting, and it enables consumers to rationalise and simplify financial decisions, such as budgeting.[63]

Whilst mental accounting can be useful in short-term planning and financial decisions, it might encourage consumers to mentally silo their assets. Good decisions about later life finances require consumers to think about their assets in the round, rather than in isolation. Some consumers may mentally account for pension savings as separate from property wealth. This prevents them from accessing information surrounding downsizing or later life lending if it is seen as a separate consideration from pension income.

As shown in section 3, many households would benefit from thinking about their housing wealth as a way of maintaining their living standards in later life.

[63] Silva, E.M., de Lacerda Moreira, R., & Bartolon, P.M. (2023), 'Mental Accounting and decision making: a systematic literature review'.

Consumers are unaware of their later life lending options

Pension auto-enrolment has been a great success in encouraging consumers to begin to save for their later life. Whilst an effective tool, it can lead to short-term thinking, driving consumer inertia and disengagement from later life financial planning.[64] This can lead to poor later life outcomes for consumers, as they delay engaging with financial planning until too late.

One study found that 36% of those aged 45-64 could downsize their home, so this service should not just focus on those in retirement – but also on those who are in the stage of final accumulation for later life.[65]

For example, in section 3, we find that many consumers could benefit from accessing their housing wealth before they receive the state pension. Accessing housing wealth is therefore potentially beneficial for some households in their 60s. We also find that some households would benefit from accessing their housing wealth to maintain living standards in the face of costs associated with care. Accessing housing wealth can take time, and it is important to make carefully considered decisions, so it is important that people do not leave it too late to start the process.

Even for those consumers who do engage with their later life finances, there is a lack of awareness of their later life lending options. This is an industry acknowledged barrier, with key stakeholders suggesting that the lack of consumer awareness is a failing of the industry itself.[66]

The lack of awareness drives low intentions among consumers to use their property wealth as a means of supporting themselves in later life.[67] If consumers don't know that there are viable options available to them, then discussion on downstream change is redundant. The potential economic value of later life lending in maintaining later life living standards cannot be realised if consumers remain unaware of the market in the first place.

Free impartial guidance services do not consistently surface housing wealth as part of the conversation about later life finances

Government-backed services, such as MoneyHelper and Pension Wise, are invaluable resources for consumers. They offer free impartial guidance across a variety of products and services. Consumers can feel safe in the knowledge they are receiving unbiased information about their options.

Later life lending, by its nature, straddles numerous markets and sectors. In some ways it is akin to a traditional mortgage product, in others, it can be considered as a retirement option. Information about later life lending options, such as equity release, can only be found in the 'Home' guidance section on the MoneyHelper website.[68] This places it alongside information for first-time buyers and those with traditional mortgages.

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[64] Foster, L. (2015), 'Young People and Attitudes towards Pension Planning'.
[65] Barclays (2024), 'Barclays policy report estimates 'Right-sizing' could free up 3.8m UK homes'.
[66] FTAdviser (2025), 'Mortgage advisers failing over-50s on later life lending'.
[67] The Lang Cat (2022), 'House Rules'.
[68] See: https://www.moneyhelper.org.uk/en/homes/buying-a-home.

The MoneyHelper 'Money Midlife MOT' tool is one attempt to encourage people to engage with their finances.[69] The output of the tool is a report with different categories including 'Your home' and 'Retirement planning'. In the 'Your home' section, it suggests that the user should consider where they will live in retirement. However, there is no mention of housing wealth in the 'Retirement planning' section, potentially reinforcing the silos between different types of wealth. The report points the user to other sources of information on topics that might be relevant to the user, based on their answers to the questions. The report does not go as far as drawing out specific financial insights that are tailored to the user.

This siloing from pension and later life finance options makes it difficult and unintuitive for consumers to access this information. It may feed into consumers' mental accounting, encouraging them to view property wealth as entirely separate from their later life finances.

Recommendation

Government and regulators should develop a personalised service for people, which brings their pension and housing wealth into a single view. Once pension dashboards are completed, the government should look to build in housing wealth to give consumers a clear view of their financial position and options as they enter later life.

Financial journeys throughout adult life do not consistently surface housing wealth as part of the conversation about later life finances

Many people purchase a standard residential mortgage, and an increasing number of those mortgages have a term that goes beyond their intended retirement age.[70] Where these mortgages are advised, these conversations provide an opportunity to help people consider their later life finances. As shown in section 3, the need to make repayments on these mortgages after the age of 60 is one of the drivers of lower living standards – which can be addressed through accessing housing wealth.

Most people now have DC pensions. Many people do not engage with their pension accumulation. As shown in section 3, relatively low pension pots is a key driver of lower living standards in later life. However, to the extent that people do engage with their pension, they could be prompted to consider how their pension and housing wealth are part of the same financial picture.

There are significant emotional barriers to considering the home as an 'asset'

[69] See: https://www.moneyhelper.org.uk/en/everyday-money/midlife-mot. Other organisations have also developed 'midlife MOTs', for example: https://www.aviva.co.uk/retirement/tools/mid-life-mot-app/.
[70] See, for example, Steve Webb's 2024 FOI request.

Among those who are aware of their options to downsize or take later life lending, there remain significant emotional and psychological barriers to their engagement.

The focus on housing is typically as an accumulating asset, and people may feel that it is less socially acceptable to use the value of their home in the decumulation journey.[71] [72]

One reason why homeownership might be so emotive for consumers is that it is associated with not only status but improved health and well-being outcomes and self-perceptions.[73] This effect carries over to mental health, with home ownership being associated with a decreased rate of mental health issues.[74] The benefit to individual health and wellbeing is not solely due to home ownership itself, but is tied to the benefits of local areas such as ready access to social and health services.

Later life borrowing in particular is often associated with stigma or shame.[75] One survey found that women are more likely than men to feel 'judged' for needing to use equity release.[76] Taking on debt is also looked at unfavourably cross-culturally, as social norms around living within your means and financial stability influence consumer attitudes.[77]

Consumers' worries about taking on debt are compounded by a lack of trust and misconceptions about the industry itself. [78] Trust in financial institutions underpins consumers' financial decisions, encouraging them to engage with their financial options.[79] Without it, consumers are unlikely to begin the journey towards later life lending.

Trust in the later life lending sector is improving.[80] However, consumer engagement with later life lending is still be influenced by historic mis-selling cases and worst-case scenario stories in the press about the industry's practices.[81]

Addressing these concerns, and accounting for emotional aspects of accessing home wealth are an important factor in enabling asset maximisation.

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[71] Overton, L., Fox O'Mahony. L., and M. Gibson (2018), 'The emotional dimension of trading on home in later life: Experiences of shame, guilt and pride', in S. Bahun and B. Petric (eds.) 'Thinking Home: Interdisciplinary Dialogues', London: Bloomsbury.
[72] Overton, L. and Fox O'Mahony, L. (2016), 'Understanding Attitudes to Paying for Care amongst Equity Release Consumers: citizenship, solidarity and the 'hardworking homeowner', Journal of Social Policy, pp. 49-67.
[73] Munford, L. A., Fichera, E., & Sutton, M. (2020), 'Is owning your home good for your health? Evidence from exogenous variations in subsidies in England', Economics and human biology, 39, 100903.
[74] Rahman, S., & Steeb, D. R. (2024), 'Unlocking the door to mental wellness: exploring the impact of homeownership on mental health issues', BMC public health, 24(1), 3479.
[75] For example, Fox O'Mahony, L. and L. Overton (2015), 'Asset-based Welfare, Equity Release and the Meaning of the Owned Home', Housing Studies, 30(3).
[76] Standard Life Home Finance (2023), 'UK over 45s less concerned about equity release, but women are more cautious than men'.
[77] Martinez-Marquina, A, & Shi, M. (2022), 'The Opportunity Cost of Debt Aversion', American Economic Review, 114, 1140-1172.
[78] Sharma et al. (2022). 'The UK equity release market: Views from the regulatory authorities, product providers and advisors'.
[79] Xu, X. (2020). 'Trust and financial inclusion: A cross-country study'.
[80] Sharma et al. (2022), 'The UK equity release market: Views from the regulatory authorities, product providers and advisors'.
[81] FT Adviser (2017), 'Scale of equity release mis-advice scandal revealed'.

That being said, there are some signs that younger cohorts of homeowners view their housing wealth differently to older cohorts. A survey in 2023 found that 85% of those aged 25-34 would be interested in accessing their housing wealth in future – compared to 30% of those aged 75+.[82]

Recommendation

Government and regulators should normalise the use of housing wealth to maintain living standards in later life. MoneyHelper and Pension Wise should embed housing wealth as a central part of later life advice and guidance. Government and public agencies should invest in public information campaigns to break down the stigma and normalise the use of housing wealth in retirement.

Many consumers do not access information about later life finances that surfaces housing wealth as part of the picture

Consumers often receive advice which does not cover the whole picture of later life finances

For the reasons covered in section 2.05, silos in advice are likely to lead to consumer detriment, as (in practice) the silos reduce the likelihood that consumers receive the most suitable advice. The current market design is likely to lead to some degree of path dependency, whereby the course of action recommended to the customer is affected by the type of adviser the customer first contacted.

Gender inequality is also relevant to considerations about advice. In general, women are less likely to receive financial advice than men.[83] This 'gender advice gap' has also been found among people considering equity release, with women less likely to have ever spoken to an independent financial adviser before.[84]

Our recommendations for improving the distribution of equity release mortgages are covered in the discussion of the supply side of the market, in section 4.02.

Some consumers find it difficult to assess their later life options

The trade-offs involved in later life lending products are complex

Well-informed decisions about later life lending products involve weighing up trade-offs. For example, between enjoying a higher standard of living and the ability to give an inheritance. These trade-offs are nuanced, as they depend on expectations around life expectancy, house prices, and other long-term factors.

[82] Equity Release Council (2024), 'No brick left unturned: three in five UK homeowners look to property wealth to prop up retirement dream'.
[83] Intelliflo (2025), 'The who, what, where of advice: intelliflo's 2025 Advice Map of the UK'.
[84] Standard Life Home Finance (2022), 'Standard Life Home Finance Reveals the Equity Release Gender Divide'.

Consumer understanding of these trade-offs is affected by behavioural biases. These biases arise from the way in which we make financial decisions in the face of complexity. Biases are not necessarily unreasonable. However, biases can lead to people making financial decisions that are not in their own best interests.

Consumers must be able to understand and assess loan-to-value statistics, interest rates, and compounding effects in making their decisions. Consumers who lack knowledge or confidence in understanding financial products can be unable to understand and access beneficial financial products.[85] In England, 24% of adults have very low numeracy levels, meaning they have trouble with any form of numerical or graphical calculations.[86] Without support, many consumers approaching later life are likely to struggle to understand compound interest.

Later life lending trade-offs also involve a consideration of risk, which can also be hard to assess. The ability to assess and tolerate financial risk is influenced by factors including age and financial literacy, with low financial literacy associated with a lower willingness to take on risk.[87]

Well-informed decisions about later life lending products also involve serious consideration of the whole range of available options. These options include downsizing, other types of mortgage, and a different decumulation pattern for pensions. This is unlikely to be a swift decision.

This combination of factors is why the advised nature of the sale is important. The equity release adviser should be well-placed to help consumers make well-informed decisions that they do not regret.

Downsizing involves significant transaction costs, reducing the value of the housing wealth that is accessed by consumers

One study estimated that – in 2014-15 – the median wealth released by downsizing was only £14,000 (9% of the property value), with those aged 80+ releasing a median wealth of £49,000 (25% of the property value).[88] These sums were before any costs associated with moving, such as stamp duty, legal fees, estate agent fees, and removal costs. These costs can often be in the range of £5,000-£10,000.[89]

Even allowing for 10 years of house price inflation, the transaction costs associated with downsizing are likely to consume a significant amount of the value. Both the Mayhew Review and UK Finance have recommended changes to stamp duty to reduce the costs of downsizing.[90]

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[85] Hastings, J., & Mitchell, O. S. (2018), 'How Financial Literacy and Impatience Shape Retirement Wealth and Investment Behaviors'.
[86] Gal, I. (2024), 'Adult education in mathematics and numeracy: a scoping review of recent research'.
[87] Nolte, J., & Hanoch, Y. (2024), 'Adult age differences in risk perception and risk taking', Current opinion in psychology, 55, 101746. Bayar, Y., Sezgin, H. F., Öztürk, Ö. F., & Şaşmaz, M. Ü. (2020), 'Financial literacy and financial risk tolerance of individual investors: Multinomial logistic regression approach', Sage Open, 10(3).
[88] IFS (2018), 'The use of housing wealth at older ages'.
[89] The Lang Cat (2022). 'House Rules'.
[90] Mayhew, L. (2022), 'The Mayhew Review – Future-proofing retirement living: Easing the care and housing crises'. and UK Finance (2024), 'Homes We Need'.

Recommendation

Government should lower the financial cost of downsizing by reducing stamp duty for people in later life. By facilitating more downsizing and freeing up family homes, the government can recoup some of the lost tax revenues through an increase in upsizing stimulated by greater supply of larger housing stock.

Some consumers in later life are reluctant to move away from their existing social networks, meaning that downsizing properties must be well-located

Some consumers in later life rely on their social networks for support. Moreover, many in later life are active contributors to their local community and may wish to remain part of their local community. These consumers are unlikely to be willing to move away from their social networks, in order to downsize.

This means that suitable downsize properties must be located nearby, in order for them to consider downsizing. The supply of suitable downsize properties may be insufficient to meet their needs (see section 0).

Later life lending involves transaction costs, reducing the value of the housing wealth that is accessed by consumers

Transaction costs are not unique to later life lending. However, the transaction costs of later life lending can be a sizeable proportion of smaller loans. The combination of adviser commission, legal fees, and a product fee can be in the range of £2,500-£3,000.[91]

There are barriers which prevent consumers from taking action

The final barriers consumers face are those that prevent them from acting on their desire to take out a later life lending product. These impact consumers after they have begun the journey towards later life lending, engaged with and assessed their options, and decided it is a viable option for them.

Downsizing can be difficult and time-consuming

The downsizing process is not simple for consumers. They must find a buyer for their home and find a new home to buy. This process often takes months and can be subject to frustrations such as chains falling through. Moving home is disruptive.

As a result, people in later life can require support to downsize, for example, from their family. If this support is not forthcoming, then people may not downsize their home.

[91] The Lang Cat (2022). 'House Rules'.

Consumers with families often face emotional and social challenges to later life lending

Many consumers who are engaging with later life lending options are not doing so with only themselves to consider. Those with children and grandchildren may feel that they need to consider not only their own needs but those of their loved ones.[92] Whilst many children and family members of consumers may be accepting of using property value as an asset, there is a significant number who strongly disapprove.[93]

The decision consumers must make is further complicated if their children live in the property with them. In these cases, where the customer purchases an equity release mortgage, dependents and family members may be required to sign waivers acknowledging that they do not have a right to continue to live in the property after the death of the property owner.

These issues may delay or prevent consumers from engaging with later life lending options entirely. They may feel unable emotionally or practically to include their family in their decision, discouraging them from continuing with the purchase.

Later life lending involves several stages and different advisers

Taking out a later life lending product is not as simple as filling out a form. It is a relatively high-friction process that can take some months to complete. Equity release also involves receiving separate legal advice. While this friction and time delay may support well-informed consumer decisions, it may also lead to some consumers dropping out the journey.[94]

4.02 Supply side barriers to making the most of housing wealth through downsizing or later life lending

The supply of housing stock is not sufficient to meet the needs of people in later life

There is insufficient supply of housing stock

As has been well-documented by the Mayhew Review and others, there is insufficient housing targeted at meeting the needs of people looking to downsize in later life. Low supply inevitably leads to higher prices, which means that the value released by downsizing is limited.

Housing targeted at later life is not homogeneous, as people in later life have a variety of needs and expectations. For example:

- **Smaller housing** with fewer rooms and less outside space to maintain.
- **Accessible housing** with, for example, step-free access to the property, and around the property.

[92] FCA (2022), 'Equity release and alternative products'.
[93] The Lang Cat (2022), 'House Rules'.
[94] Sharma et al. (2022), 'The UK equity release market: Views from the regulatory authorities, product providers and advisors'.

- **Retirement communities** which provide a social network as well as differing levels of support.

The geographic distribution of this housing is key, as people are less likely to downsize if it means leaving their social network.

There is currently insufficient consumer protection for those living in retirement properties

The specialist housing market in the UK is small by international comparison and suffers from reputational issues. For example, recent media reports have focused on the poor resale performance of retirement housing, with high service charges mentioned as a contributing factor.[95] This can lead to 'accidental' asset decumulation, as the lower resale value is not expected. This goes some way to explaining why equity release providers are unlikely to lend against retirement properties, cutting off a route for older people to access any of their housing wealth which tied up in retirement housing.[96]

In recent years, a new generation of 'integrated retirement communities' have started bringing models more commonly found overseas. For example, in New Zealand, properties are offered for lower upfront prices and with lower ongoing costs – in return for a 'deferred management fee'.[97] This is a form of 'intentional' asset decumulation, with older people using a proportion of their housing wealth to make retirement housing more affordable. This model has contributed to 14% of the over 75s in New Zealand living in a retirement village, over double the proportion of older homeowners in the UK living in retirement housing.[98]

While growing in popularity in the UK, this 'intentional' asset decumulation model – typically found in housing-with-care retirement communities – is held back by a lack of sector specific regulation, creating uncertainty for providers of housing with care communities.[99]

Moving to housing-with-care schemes has other benefits, with Homes England estimating the financial savings to the NHS at £1,840 per resident per year.[100] By comparison, the financial savings to the NHS of traditional retirement housing was estimated at £8 per resident per year.

These benefits to the public purse have led to attempts to grow the specialist housing market in the UK in recent years, with the independent Taskforce on Older People's Housing recommending increasing consumer protection, addressing the issue of poor resale values, and putting a working group in place to study the feasibility of new tenure models akin to those found overseas.[101]

Efforts to grow the downsizer and specialist housing market in the UK are therefore likely to involve addressing issues around the 'accidental' asset decumulation of retirement housing. As

[95] The Times (2025), 'Families lose 'life savings' on developer's retirement flats'.
[96] See: https://www.equityreleasecouncil.com/what-is-equity-release/faq/why-are-some-types-of-property-not-acceptable-to-equity-release-providers/.
[97] Gunn, M. (2025), 'New Zealand senior living favours lease-like model'.
[98] Collyns, J. (2025), 'How the New Zealand retirement village model might work for the UK'. Older People's Housing Taskforce (2024), 'Final report of the Older People's Housing Taskforce, for the Ministry of Housing, Communities and Local Government and Department of Health and Social Care'
[99] Countries such as Australia, New Zealand, and the United States have dedicated acts of parliament to regulate these markets, such as the Retirement Villages Act 2003 in New Zealand.
[100] Homes England (2024), 'Measuring Social Value – Paper 4: Measuring the Wellbeing and Fiscal Impacts of Housing for Older People'.
[101] Older People's Housing Taskforce (2024), 'Final report of the Older People's Housing Taskforce, for the Ministry of Housing, Communities and Local Government and Department of Health and Social Care'

recommended by the Taskforce, this could also involve further regulation (which would be welcomed by trade bodies working in the sector).[102]

Ultimately, this should encourage more people in later life to access their housing wealth by downsizing into retirement properties. Further, innovative tenure models might open up new ways for people living in retirement properties to also access some of their housing wealth through later life lending.

Recommendation

Government should facilitate a substantial increase in the supply of suitable and desirable retirement properties, located in the communities where people in later life wish to live. This should also include a better framework for consumer protection, including looking at innovative tenure models that promote the use of housing wealth to improve affordability and health outcomes.

The manufacturing of later life lending products: limited competition between different types of business model is restricting product innovation

The major funders of equity release mortgages in the UK tend to be insurers, which are matching the timing of their assets (i.e. equity release) against that of their liabilities (e.g. annuities). This business model is subject to prudential regulation. Moving to more dynamic or flexible lifetime mortgage products might require alternative funding models.

While there is competition between insurers to provide equity release mortgages, the similarities between their business models contribute to there being less variation in the design of these products than we might ordinarily expect in a competitive market.

In particular, consumers may benefit from a wider range of equity release products such as:

- Automated or semi-automated income lifetime mortgages.
- Lifetime mortgages which are more flexible and do not have early repayment charges.
- Annuities directly funded by lifetime mortgages.
- Short-term equity release.
- Home equity line of credit (HELOC).

The later life market is innovating, introducing more products that include drawdown facilities.[103] As noted in section 2.05, there are some examples of more innovative products in the market. However, without a diversification of funding models, the amount of innovation in product design

[102] The Associated Retirement Community Operators (2025), 'ARCO statement on today's story in The Times'.
[103] About Consulting (2023), 'Later Life Lending: Great Expectations'.

may be limited. Other forms of funding are prevalent in other countries, such as the USA or Australia.[104]

Product innovation and consumer demand are linked. Providers will only invest in building new propositions if they expect there to be consumer demand for those products. Removing the demand-side barriers to later life lending and reforming the distribution of later life lending will unlock greater demand, and stimulate more product innovation.

The distribution of later life lending: silos are restricting the provision of customer-centric advice

The fragmentation of advice provision is driven by regulation

The silos between standard residential mortgages, equity release mortgages, and financial advice are embedded in the FCA Handbook. All these types of advisers must be authorised by the FCA.

- Standard residential mortgages and equity release mortgages are regulated under the Mortgages and Home Finance Conduct of Business Sourcebook (MCOB).
- MCOB contains additional rules for equity release mortgages (MCOB 8 and MCOB 9). In practice, this separation within MCOB means that mortgage brokers can advise on the sale of standard residential mortgages to people in later life – including retirement interest only mortgages – without any consideration for whether lifetime mortgages would be more suitable for the customer.
- Financial advice is regulated under the Conduct of Business Sourcebook (COBS). Financial advisers must obtain information about the customer's property ownership (if any). While financial advisers can then explicitly consider the customer's housing wealth as part of their advice, there is no regulatory requirement to do so. There is also no regulatory requirement for financial advisers to disclose whether they are considering the customer's housing wealth.[105]

The silos in the FCA Handbook are mirrored in the professional qualifications held by different types of advisers.

- Standard residential mortgage brokers must hold a level three qualification about mortgages. There is no mandatory continuous professional learning (CPD) to maintain the qualification.[106]
- There is an additional qualification for those wishing to advise on equity release.[107] There is no mandatory CPD to maintain the qualification.
- Financial advisers must hold a level four qualification about financial advice, and undertake CPD to maintain this qualification.[108] If a financial adviser wishes to advise on the sale of an

[104] Hutchison et al. (2024) 'Equity Release Mortgages in the UK: Regional Characteristics of Demand and Supply'.
[105] About Consulting (2023), 'Later Life Lending: Great Expectations'.
[106] About Consulting (2023), 'Later Life Lending: Great Expectations'.
[107] About Consulting (2023), 'Later Life Lending: Great Expectations'.
[108] About Consulting (2023), 'Later Life Lending: Great Expectations'.

equity release mortgage then they must also hold the mortgages level three qualification and the additional equity release qualification.

FCA regulation of adviser remuneration also varies by sector.

- Mortgage brokers are remunerated through one-off fees paid directly by the customer and/or commission paid by the lender. The one-off nature of the remuneration tends to lead to a transactional relationship between the adviser and the customer.
- Financial advisers are remunerated through fees paid directly by the customer. These fees can include an upfront fee and a fee for ongoing advice. In these cases, the advisers have a less transactional, longer-term relationship with the customer.

Recommendation

The FCA should reform the regulation around later life advice, to break down silos and ensure all consumers are supported to maximise the use of all their assets as they approach retirement. Specifically, the FCA should:

- Ensure that equity release advisers are obliged to consider all forms of later life lending.
- Ensure that advice on mainstream mortgages to people from the age of 50 onwards explicitly considers retirement planning, including later life lending options. This may be through referring people to retirement dashboards, midlife MOTs, or other professional advisers which bring together all sources of retirement wealth.
- Build more explicit consideration of housing wealth into the FCA rulebook, such that financial advisers assess the role that housing wealth may play for customers in funding their retirement.
- Allow for targeted support to assist consumers in considering their use of housing wealth as they plan for retirement (whilst ensuring that equity release remains an advised sale).

It is unlikely to be practical for all standard residential mortgage brokers to become equity release advisers or retirement planners. However, through retirement dashboards and targeted support we would anticipate that there will be light touch ways to nudge consumers to think about their retirement finances. Given a growing proportion of consumers are likely to still be repaying a standard residential mortgage in their 50s and 60s, remortgaging is a valuable touchpoint at which consumers can be prompted to think about their finances in later life.

There are barriers to standard residential mortgage brokers and financial advisers starting to advise on equity release mortgages

One way of reducing the fragmentation of advice would be for more mortgage brokers and financial advisers to start advising on equity release. There are several barriers to this, including the following.

- **Some standard residential mortgage brokers and financial advisers view equity release advice as more regulatory risky**. This is partly because of the historic equity release mis-selling scandals dating back to the 1980s.[109] It is also partly because of the way that the FCA has historically been heard to talk about equity release mortgages, i.e. as a last resort for customers rather than a useful way for some customers to access their housing wealth. There is also a concern about long-term Financial Ombudsman Service cases, raised by the family of the customer upon their death. According to Equity Release Council data, the FOS upheld rate on

[109] A summary of the historic issues can be found in The Lang Cat (2022), 'House Rules'.

equity release mortgages (23%) was slightly lower than that of residential mortgages (29%) in 2024. Nevertheless, these regulatory risk concerns persist.

- **The remuneration model for equity release mortgages is different to standard residential mortgages and financial advice**. Adviser remuneration should ensure that there is an economic benefit for advisers and brokers to give high-quality advice which suits consumers' needs. However, the nature and level of commission may be a barrier to others entering the market.
    - Equity release mortgage sales typically generate a higher percentage commission than standard residential mortgages.[110] Whether this equates to a higher commission in £ terms depends on the size of the mortgage. There may be legitimate reasons for this, for example if it takes an adviser longer to advise on an equity release mortgage than a standard residential mortgage (it is beyond the scope of this study to assess whether this is the case). Nevertheless, some standard residential mortgage brokers may be concerned about apparent bias if they recommend the product which has a higher commission.
    - Many financial advisers typically focus on products which do not earn them a commission from the product provider. Some financial advisers may be concerned about apparent bias if they recommend a decumulation strategy that generates a commission payment.
- **Advising on equity release mortgages might require investment in new technology**. Some standard residential mortgage brokers and financial advisers operate back-office systems which do not currently include equity release to the same extent as standard residential mortgages or other sources of wealth. For example, sourcing systems or CRM systems. While there are innovators in the market, there remains a technology barrier for some advisers.

Recommendation

The FCA should use the levers of the Consumer Duty to ensure the UK has a vibrant and competitive later life lending market, which offers fair value to consumers and creates the conditions for product innovation. In advice markets, the FCA should use the Consumer Duty to eliminate product bias – and ensure that consumers are supported to achieve the best outcomes for their needs, regardless of which part of the advice market they are engaging with.

4.03 Summary of recommendations

Given the potential role for housing wealth to maintain living standards for people in later life, we make five key recommendations, which are summarised as follows.

[110] Council of Mortgage Lenders (2017) 'Later life borrowing New mindsets: old silos'.

1. **Government should facilitate a substantial increase in the supply of suitable and desirable retirement properties, located in the communities where people in later life wish to live.** This should also include a better framework for consumer protection, including looking at innovative tenure models that promote the use of housing wealth to improve affordability and health outcomes.
2. **Government should lower the financial cost of downsizing by reducing stamp duty for people in later life.** By facilitating more downsizing and freeing up family homes, the government can recoup some of the lost tax revenues through an increase in upsizing stimulated by greater supply of larger housing stock.
3. **Government and regulators should normalise the use of housing wealth to maintain living standards in later life.** MoneyHelper and Pension Wise should embed housing wealth as a central part of later life advice and guidance. Government and public agencies should invest in public information campaigns to break down the stigma and normalise the use of housing wealth in retirement.
4. **Government and regulators should develop a personalised service for people, which brings their pension and housing wealth into a single view.** Once pension dashboards are completed, the government should look to build in housing wealth to give consumers a clear view of their financial position and options as they enter later life.
5. **The FCA should reform the regulation around later life advice, to break down silos and ensure all consumers are supported to maximise the use of all their assets as they approach retirement.** Specifically, the FCA should:
    a. Ensure that equity release advisers are obliged to consider all forms of later life lending.
    b. Ensure that advice on mainstream mortgages to people from the age of 50 onwards explicitly considers retirement planning, including later life lending options. This may be through referring people to retirement dashboards, midlife MOTs, or other professional advisers which bring together all sources of retirement wealth.
    c. Build more explicit consideration of housing wealth into the FCA rulebook, such that financial advisers assess the role that housing wealth may play for customers in funding their retirement.
    d. Allow for targeted support to assist consumers in considering their use of housing wealth as they plan for retirement (whilst ensuring that equity release remains an advised sale).
    e. Use the levers of the Consumer Duty to ensure the UK has a vibrant and competitive later life lending market, which offers fair value to consumers and creates the conditions for product innovation. In advice markets, the FCA should use the Consumer Duty to eliminate product bias – and ensure that consumers are supported to achieve the best outcomes for their needs, regardless of which part of the advice market they are engaging with.

It is unlikely to be practical for all standard residential mortgage brokers to become equity release advisers or retirement planners. However, through retirement dashboards and targeted support we would anticipate that there will be light touch ways to nudge consumers to think about their retirement finances. Given a growing proportion of consumers are likely to still be repaying a standard residential mortgage in their 50s and 60s, remortgaging is a valuable touchpoint at which consumers can be prompted to think about their finances in later life.

5. Technical appendix

Our modelling approach

Our high-level modelling approach is based on reasonable and conservative assumptions and is described below.

First, we calibrate the model by defining the financial personas and scenarios that they face.

Second, we model the economic outcomes for every combination of persona and scenario over the course of their lives. We model this for two counterfactuals: where consumers do not access their property wealth to meet their spending needs; and where consumers do access their property wealth to meet their spending needs.

Third, we compare the results to see the effect of consumers accessing property wealth to meet their spending needs. We aggregate the results for each household to see economy-wide figures. Based on these economy-wide figures, we also estimate the Gross Value Added (GVA) of this spending.

The modelled cohort

We model the outcomes for the cohort of people aged 50 years old in 2025. In 2040, this cohort will be 65 years old.

Our aggregate economic numbers refer to the year 2040. We assume that those aged 60 years old in 2040 will behave in the same way as the modelled cohort when the modelled cohort is 60 years old. Similarly, we assume that those aged 61 years old in 2040 will behave in the same way as the modelled cohort when the modelled cohort is 61 years old (and so on).

Modelling at a household level

We model people as households, by which we mean family units which are either couples or singles, and their dependents. We use life expectancy forecasts to estimate the point at which couple households become single households.

Calibrating the financial personas

We model nine financial personas. These personas are set according to their property wealth and their income.

Table A1: Financial personas – property wealth for a couple aged 50 in 2025

	Property wealth: low	Property wealth: mid	Property wealth: high
Pension income: low	Persona 1 £148,644	Persona 4 £233,583	Persona 7 £353,914
Pension income: mid	Persona 2 £218,011	Persona 5 £342,588	Persona 8 £519,073
Pension income: high	Persona 3 £237,830	Persona 6 £373,733	Persona 9 £566,252

Note: The property wealth was calibrated from ONS datasets on property wealth. Some degree of estimation is required, in terms of the assumed correlation between property wealth and income. The 2025 figures are then uprated for inflation in the model.

Source: Fairer Finance.

Table A2: Financial personas – property wealth for a single aged 50 in 2025

	Property wealth: low	Property wealth: mid	Property wealth: high
Pension income: low	Persona 1 £113,252	Persona 4 £176,957	Persona 7 £268,116
Pension income: mid	Persona 2 £166,103	Persona 5 £259,537	Persona 8 £415,259
Pension income: high	Persona 3 £181,204	Persona 6 £283,131	Persona 9 £453,009

Note: The property wealth was calibrated from ONS datasets on property wealth. Some degree of estimation is required, in terms of the assumed correlation between property wealth and income. The 2025 figures are then uprated for inflation in the model.

Source: Fairer Finance.

Property wealth and income are to some extent correlated. Personas 1, 4, and 7 have a lower level of property wealth than personas 2, 5, and 8, respectively. Similarly, personas 3, 6, and 9 have a higher level of property wealth than personas 2, 5, and 8, respectively. In this way, persona 9 has the highest level of property wealth, while persona 1 has the lowest.

We model the outcomes for 75% of the population. We base the personas on the 25th, 50th, and 75th percentiles of the wealth and income distribution.

Setting the scenarios

For each persona, we model a number of different scenarios. These scenarios reflect several exogenous factors or financial choices that they could make. The scenarios were chosen to illustrate the range of possible financial outcomes, and do not represent every scenario that could possibly occur.

We model every single possible combination of these scenarios for every persona, for multiple life expectancy scenarios. This is a total of 9,720 combinations. In section 0 we explain how we then aggregate these scenarios to show the population-wide outcomes.

The scenarios are as follows.

- Whether the household is a couple or a single at 60 years old.
- If the household is a couple, the age at which the first person dies. This age is a random variable, following the distribution of life expectancy.
- Whether the first person in the household experiences a cost shock associated with long term care. If they do experience a cost shock, then this age is set randomly – following the distribution of life expectancy. It is difficult to calibrate this cost shock for 2040 given a paucity of data on current care costs and uncertainty over the future level of state support for funding care. Our approach reduces the cost of care once savings have been depleted, to reflect the availability of means-tested government funding. Our approach should be interpreted as a general cost shock. For example, if the household needs to pay for care in their own home or pay for home improvements (i.e. adaptations to make their home more accessible for someone with care needs).[111]
- The age at which the household stops working. To show the range of likely outcomes, this is either 60 years old, or 67 years old.
- Whether the household has an outstanding residential mortgage at 55 years old. If there is an outstanding mortgage at 55 years old, we assume that it is 30% loan to value (LTV), and that it is fully repaid when the household is 70 years old.
- The type of pension income that the household has access to, or chooses. We model five alternatives:
  - a DB pension (increasing);
  - a 50% DB and 50% DC pension (joint, level, no guarantee);

[111] Taking a conservative approach, we modelled two scenarios for the cost shock associated with care. Both scenarios are estimated based the household paying for the provision of different levels of care in their own home for three years, assuming a relatively high level of local authority funding towards this cost (i.e. the local authority pays 60-80% of the cost, once the household's assets reach the level required for local authority support). We understand that local authorities currently vary in terms of whether they allow households to 'top-up' the cost of care in their own home using equity release. We have only considered the use of equity release to pay for care costs by couples, then weighted this outcome to reflect the full population, reflecting current policies. Ultimately, our estimates should be considered only as an indicative approach for future care costs.

  - a DC annuity (joint, level, no guarantee);
  - a DC drawdown where the household withdraws 4.00% of the initial pot each year (uprated for inflation); and
  - a DC drawdown where the household withdraws 8.00% of the initial pot each year (uprated for inflation).[112]
- The market returns (nominal) on the drawdown pot after fees are 2.50%, 4.50%, or 6.50%.

The age at which the single dies, or the age at which the second person in a couple dies is taken into account when aggregating the impact across the population (see section 0).

Modelling spending needs over time

We start by applying the PLSA living standards. We assume that low-income and mid-income households target the PLSA moderate level of spending, and that high-income households target PLSA comfortable level of spending. We uprate the PLSA standards for inflation.

However, the PLSA standards are not realistic targets for some households. This is particularly likely for households where the relevant PLSA standard is above their pre-retirement income. We therefore apply a cap on the desired level of spending in the model. This is set to be 80% of the pre-retirement income (which is then uprated for inflation) for lower income households and 70% of income for medium and higher income households. This reflects the fact that households can expect their spending to be lower in retirement.

Once a household has retired, we inflate the desired level of income by less than CPI. This conservative assumption reflects the fact that – as people in the modelled cohort age – their desired spending is expected to reduce in real terms.

As a conservative assumption, we assume that the desired living standards includes all of the uses for later life lending which involve a material element of choice. For example, going on holiday or on home improvements. We also assume that this includes giving money to their loved ones before they die (i.e. passing on inheritance early). To the extent that people wish to give more money earlier to their loved one, this could increase the use of later life lending.

In addition to the desired living standards, we include the cost of repaying a mortgage and a cost shock associated with requiring long-term care.

[112] The 2022-23 distribution of drawdown withdrawals can be found here: https://www.fca.org.uk/data/retirement-income-market-data-2022-23.

Modelling financial resources over time

Pension income

Defined benefit pension income

Based on their final salary, we model the defined benefit income. For this calculation, we estimate the number of years the person has been accumulating their DB pension, and multiply this by 1/60. We then assume that DB income increases by CPI each year.

Defined contribution pension income

Based on ONS data covering pension wealth, we estimate the pension wealth for low-income, mid-income, and high-income households at age 50. We model how this will increase over time, based on market returns and additional pension contributions. This provides the pension pot size for people at the age that they retire.

Some households choose to use their entire DC pot to purchase an annuity income at the point of retirement. We assume they purchase a level annuity with no guarantee.

Some households choose to use their entire DC pot as a drawdown income. Some of these households draw down 4% of their initial pot size each year (uprated for CPI), while others draw down 8% of their initial pot size each year (uprated for CPI). This is held constant (regardless of the spending needs).

Savings

Each persona has a given level of savings at age 50. We infer this based on ONS data on financial wealth.

Table A3: Financial personas – financial wealth for a couple aged 50 in 2025

	Property wealth: low	Property wealth: mid	Property wealth: high
Pension income: low	Persona 1 **£112**	Persona 4 **£8,973**	Persona 7 **£39,930**
Pension income: mid	Persona 2 **£673**	Persona 5 **£14,133**	Persona 8 **£62,923**
Pension income: high	Persona 3 **£1,682**	Persona 6 **£24,900**	Persona 9 **£95,899**

Note: The distribution of financial wealth by persona is inferred based on ONS data on financial wealth. The 2025 figures are then uprated for inflation in the model.

Source: Fairer Finance.

Table A4: Financial personas – financial wealth for a single aged 50 in 2025

	Property wealth: low	Property wealth: mid	Property wealth: high
Pension income: low	Persona 1 **£56**	Persona 4 **£4,487**	Persona 7 **£19,965**
Pension income: mid	Persona 2 **£336**	Persona 5 **£7,066**	Persona 8 **£31,462**
Pension income: high	Persona 3 **£841**	Persona 6 **£12,450**	Persona 9 **£47,950**

Note: The distribution of financial wealth by persona is inferred based on ONS data on financial wealth. The 2025 figures are then uprated for inflation in the model.

Source: Fairer Finance.

After the age of 50, we assume that those retiring at the age of 60 save 20% of their income each year, while those retiring at 67 save 10% of their income each year. In this way, people reach retirement with significantly more savings than they have at the age of 50.

Accessing property wealth

We assume that households in later life only access their property wealth once they have exhausted their savings. This is because we have assumed that the interest rate on savings is lower than the interest rate on a lifetime mortgage.

We do not assume that, if the household accesses their property wealth, they repay the residential mortgage immediately. This is because we have assumed that the interest rate on the lifetime mortgage is higher than the interest rate on the residential mortgage (i.e. it would be relatively costly for the household to do this). We recognise that currently households would likely take out the full amount to pay off the mortgage in one payment, but we maintain our transaction cost-free approach as we wish to understand optimal use of assets.

Other assumptions

The model relies on a number of assumptions. These assumptions are not forecasts. Rather, the assumptions are intended to provide reasonable and conservative estimate of the extent to which consumers in later life may need to access their property wealth to meet their spending needs.

As explained above, we have made reasonable and conservative assumptions. This means that our assumptions are based on historic data and logical inferences. Where there is judgement required, we have erred on the side of increasing income after retirement and reducing spending needs after retirement. This means that our estimates of the need for later life lending are conservative.

The tables below provide the assumptions, by category.

Table A5: Assumptions over inflation

Factor	Assumption	Notes
Consumer price index (CPI)	2.00%	Based on the Bank of England's target.
Property price inflation	3.00%	A conservative assumption, at the lower end of historic property price inflation. This is also appropriate given the dilapidation of properties own by the same owner for extended periods of time.
Wage growth for people aged 50 and above	2.00%	Based on no real wage growth for this age group.
Growth in the state pension	2.00%	Assumed to be the same as CPI.

Source: Fairer Finance.

Table A6: Assumptions over later life lending

Factor	Assumption	Notes
The maximum amount a consumer can borrow under a lifetime mortgage	50% loan to value (LTV)	Reflecting the maximum LTV often offered to customers.
The APR on a lifetime mortgage	7.00%	A conservative assumption, based on ERC data on lifetime mortgage APRs.

Source: Fairer Finance.

Table A7: Assumptions over residential mortgage

Factor	Assumption	Notes
The LTV of a residential mortgage at age 55	30%	A conservative assumption, broadly in line with historic Wealth and Assets Survey data.
The APR on a residential mortgage of 30% loan to value (LTV)	4.62%	Based on Bank of England data for APRs on residential mortgages with loan to value below 60%.
The annual repayment rate on a residential mortgage, from age 50 to age 70.	9.00%	Based on repaying the mortgage at the age of 70.

Source: Fairer Finance.

Table A8: Assumptions over saving

Factor	Assumption	Notes
Savings accumulation at ages 50-59, if retiring at age 60	20%	A conservative assumption based on how people nearing retirement may save their income (in addition to their pension contributions).
Savings accumulation at ages 50-66, if retiring at age 67	10%	A conservative assumption based on how people nearing retirement may save their income (in addition to their pension contributions).
Returns on savings	3.00%	A conservative assumption, based on possible interest rates available on liquid savings (i.e. not investments).

Source: Fairer Finance.

Table A9: Assumptions over working hours

Factor	Assumption	Notes
Working hours when aged 60-64, as a proportion of working hours when aged 50-59	94.59%	Based on the Annual Survey of Hours and Earnings, Office for National Statistics.
Working hours when aged 65-66, as a proportion of working hours when aged 50-59	59.46%	Based on the Labour Force Survey, Office for National Statistics.

Source: Fairer Finance.

Table A10: Assumptions over pension

Factor	Assumption	Notes
Age at which the state pension applies	67 years old	Based on the current state pension age.
Years of DB accumulation if retire at 60 years old	30 years	Based on someone accumulating a DB pension for most of their working life.
Years of DB accumulation if retire at 67 years old	37 years	Based on someone accumulating a DB pension for most of their working life.

DB fraction of final salary, per year of accumulation	1/60	Based on common market practice.
DC contribution rate from age 50 onwards (sum of employer and employee contributions)	8.00%	A conservative assumption based on the Annual Survey of Hours and Earnings, Office for National Statistics.
Defined contribution pension pot size for low-income personas	£13,495	Based on 25th percentile of ONS pension wealth data. We have made an upward adjustment to take account of the fact that some people with smaller DC pots also have a DB pension, and therefore these DC pots should be excluded from this figure.
Defined contribution pension pot size for mid-income personas	£32,191	Based on median of ONS pension wealth data.
Defined contribution pension pot size for high-income personas	£94,844	Based on 75th percentile of ONS pension wealth data.
Annuity rate for couple at age 60 (joint life, level, no guarantee)	6.38%	Based on current annuity rates for the age 60, as published by Hargreaves Lansdown.
Annuity rate for couple at age 67 (joint life, level, no guarantee)	7.23%	Based on current annuity rates for the age 65 and 70, as published by Hargreaves Lansdown.
Annuity rate for single at age 60 (joint life, level, no guarantee)	6.76%	Based on current annuity rates for the age 60, as published by Hargreaves Lansdown.
Annuity rate for single at age 67 (joint life, level, no guarantee)	7.87%	Based on current annuity rates for the age 65 and 70, as published by Hargreaves Lansdown.

Source: Fairer Finance.

Table A11: Assumptions over retirement age

Factor	Assumption	Notes
Low-income couple	One retires at 60, and one at 67, or both retire at 67	Low-income couples are likely to suffer a significant drop in living standards if both retire before the state pension age. However, health is still a driver of early retirement. Therefore, we assume that, if one person retires at 60, the other person keeps working until they

		reach the state pension age. This is a conservative assumption.
Mid-income couple	Both retire at 60, or both retire at 67.	We assume that the couple retires together. This assumption is to show the range of likely outcomes.
High-income couple	Both retire at 60, or both retire at 67.	We assume that the couple retires together. This assumption is to show the range of likely outcomes.
Low-income single	Retires at 60 or 67.	This assumption is to show the range of likely outcomes.
Mid-income single	Retires at 60 or 67.	This assumption is to show the range of likely outcomes.
High-income single	Retires at 60 or 67.	This assumption is to show the range of likely outcomes.

Source: Fairer Finance.

Table A12: Assumptions over relative income for couples

Factor	Assumption	Notes
The income of a low-income couple	2x low-income single	A reasonable assumption that low-income couples constitute two low-income singles.
The income of a mid-income couple	2x mid-income single	A reasonable assumption mid-income couples constitute two mid-income singles.
The income of a high-income couple	1x high income single plus 1x mid-income single	A reasonable assumption that high-income couples constitute one high-income single and one mid-income single.

Source: Fairer Finance.

Table A13: Assumptions over spending needs

Factor	Assumption	Notes
PLSA target expenditure for those with low income	Moderate	Based on the assumption that low-income households would target PLSA moderate if achievable.
PLSA target expenditure for those with mid income	Moderate	Based on the assumption that mid-income households would target PLSA moderate if achievable.

PLSA target expenditure for those with high income	Comfortable	Based on the assumption that high-income households would target PLSA comfortable if achievable.
Maximum desired expenditure as a proportion of pre-retirement salary, for low income	80%	Based on the assumption that households target lower expenditure after retirement (compared to before retirement). We have seen estimates of this target ranging from 60%-80% of pre-retirement income. Given that this is a cap applied only when the PLSA target is relatively high, and that low income households face fixed costs, we use 80%.
Maximum desired expenditure as a proportion of pre-retirement salary, for mid income	70%	Based on the assumption that households target lower expenditure after retirement (compared to before retirement). We have seen estimates of this target ranging from 60%-80% of pre-retirement income. Given that this is a cap applied only when the PLSA target is relatively high, we use 70%.
Maximum desired expenditure as a proportion of pre-retirement salary, for high income	70%	Based on the assumption that households target lower expenditure after retirement (compared to before retirement). We have seen estimates of this target ranging from 60%-80% of pre-retirement income. Given that this is a cap applied only when the PLSA target is relatively high, and that high income households face variable costs, we use 70%.
Nominal increase in spending needs over the course of retirement (weighted average across all spending categories), as applied to the desired level of expenditure	1.20%	This conservative assumption models that real spending needs reduce with age (as it is below CPI).

Source: Fairer Finance.

Table A14: Assumptions over costs associated with care

Factor	Assumption	Notes
Care scenario: 3 years of level costs associated with care (2025 prices)	£350 per week	Based on 14 hours a week of care costing £25.00 per hour.
Care scenario: 3 years of increasing costs associated with care (2025 prices)	£350 per week (year 1) £700 per week (year 2) £1,049 per week (year 3)	Based on 14 hours a week of care costing £25.00 per hour; and 28 hours a week of care costing £25.00 per hour. This is capped at the cost of paying for residential care. This is because, once the cost reaches this level, the household may move towards residential care. This figure is based on LaingBuisson data for residential care, published by www.payingforcare.org
The threshold for savings under which the state will contribute to care costs (in 2025 prices)	£23,250 for a single £46,500 for a couple	Based on current state support thresholds.
The proportion of costs associated with care paid by the state, once the person is eligible for means-tested support	60% for high income 70% for mid income 80% for low income	In practice, this proportion can vary depending on the circumstances of the household. This is a conservative assumption, as many households are likely to pay significantly more than 20-40% towards the costs associated with care.

Source: Fairer Finance.

Aggregating the impact of later life lending across the population

We aggregate the individual combinations on the basis of the following assumptions.

- 33% of households experience market returns of 2.50% after fees, with another 33% experiencing 4.50%, and the final 33% experiencing 6.50%.
- 30% of households have an outstanding mortgage at age 60. This is higher than the current proportion, whilst being lower than some have predicted based on current mortgage terms for those in their 30s and 40s. Predictions based on current mortgage term may overestimate the likelihood of having an outstanding residential mortgage in later life, as some people are able and willing to repay their mortgage at a faster rate.
- 11.1% of households have a DB pension.
- 18.5% of households have 50% DB pension, and 50% DC annuity.

- 18.5% of households have a DC annuity.
- 25.9% of households have a DC drawdown and withdraw at 4% of the initial pot size.
- 25.9% of households have a DC drawdown and withdraw at 8% of the initial pot size.
- 29% of households experience a care-related cost shock at some point during their later life. In the year 2040, a modelled 3% of the population 60+ are facing a cost shock, with 8% of the population 85+ doing so.
- 80% of households retire at 67, with 20% retiring at 60. We assume that those with higher income are relatively more likely to choose to retire at 60.

We have assumed an average UK real GDP growth rate of 1.2% per annum, in line with recent consensus forecasts.

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