



UNIVERSITY OF
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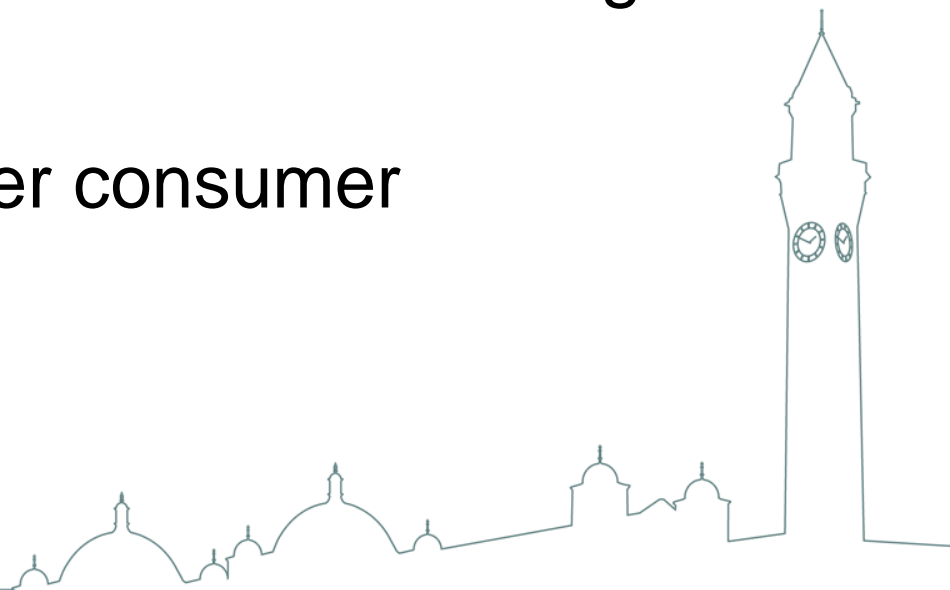
The changing role of housing equity as a source of retirement finance

Dr. Louise Overton,
CHASM Annual Conference, 21ST June 2017



Outline

- ❑ Key changes taking place in the equity release market
- ❑ What opportunities and risks do these bring?
- ❑ How can we create better consumer outcomes?
- ❑ Future challenges



Equity Release products

- ❑ A distinct category of home finance product offered exclusively to older consumers.
- ❑ Offer ability to access housing equity without having to sell up and move out, or make repayments by instalment.
- ❑ Debt is discharged upon sale of the property, typically after death or movement into long-term care



Size and shape of the UK equity release market

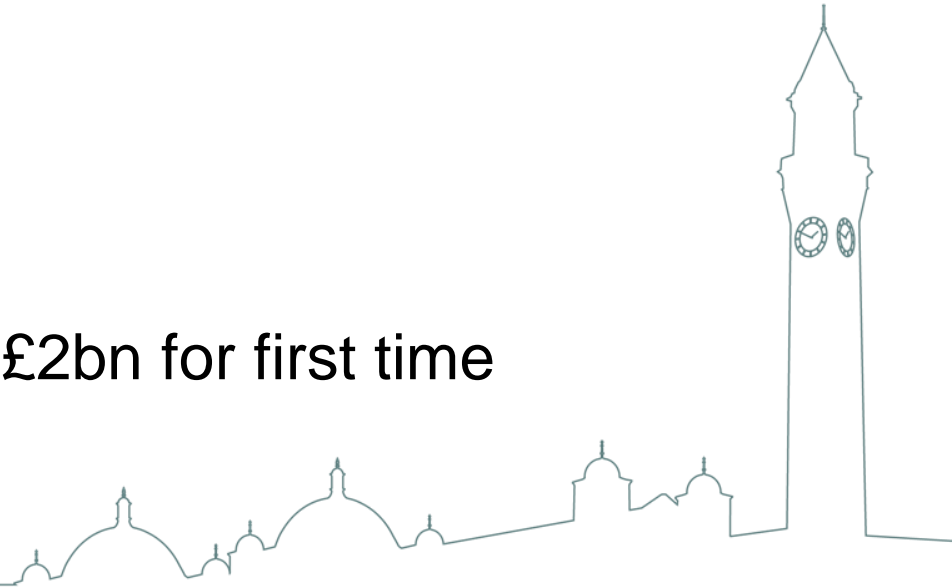
The typical equity release consumer:

- 70 years old
- Living as part of a couple
- Owns a home above average UK house price
- Releases approximately 30% of value of home

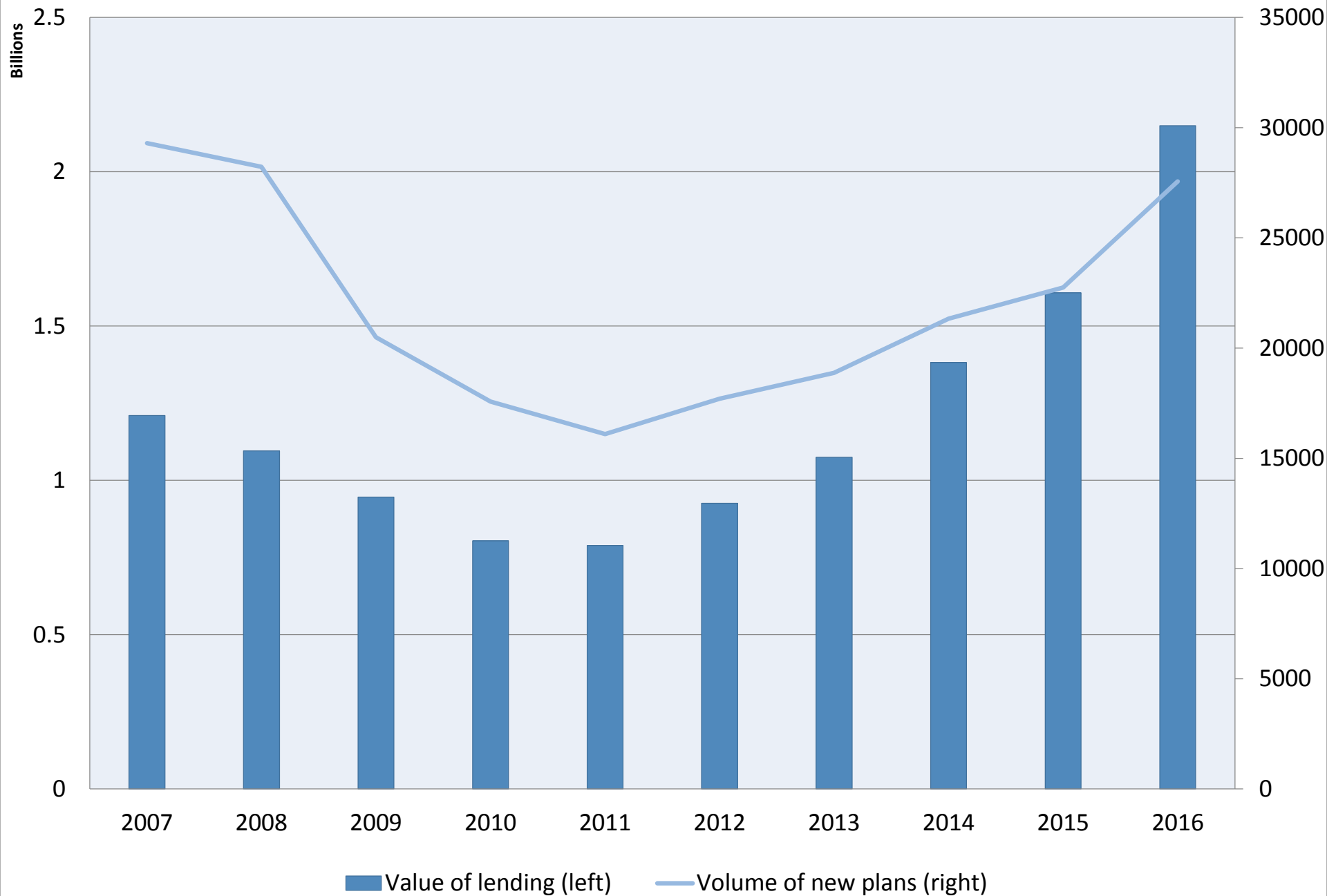


Size and shape of the UK equity release market

- Currently 11 providers of equity release plans
- The UK market is primarily comprised of lifetime mortgages. Home reversion plans now account for less than 1% of sales
- 27,500 plans sold in 2016
- Lending for 2016 exceeded £2bn for first time

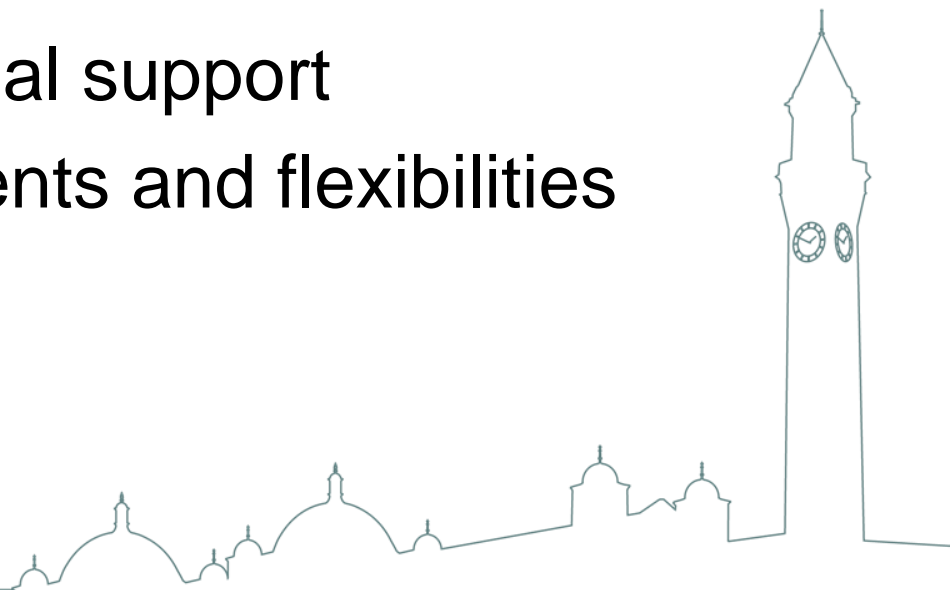


Equity release market trends - 2007 to 2016



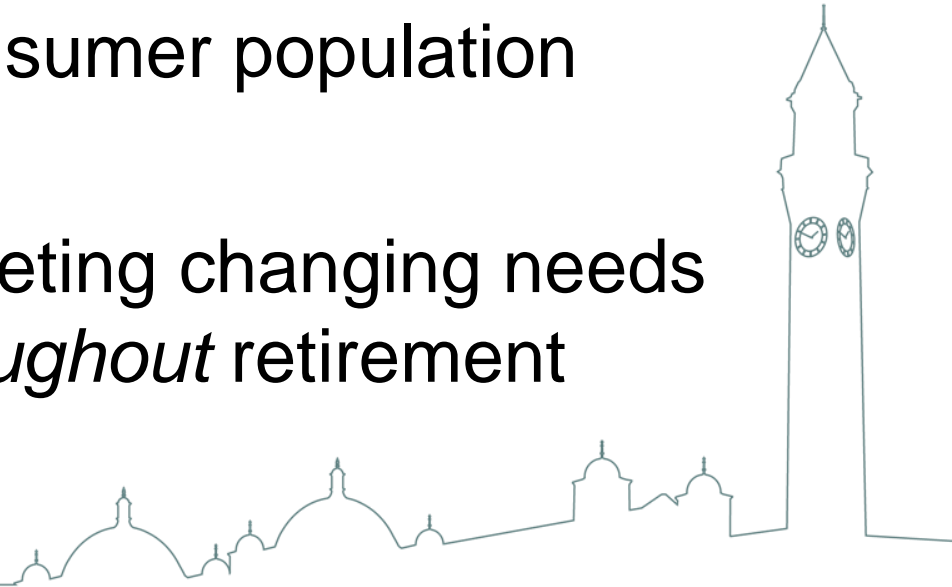
What's driving this demand?

- ❑ Restrictions on access to mainstream/residential mortgage finance
- ❑ Pension freedoms
- ❑ Secured and unsecured debt
- ❑ Intergenerational financial support
- ❑ New product developments and flexibilities



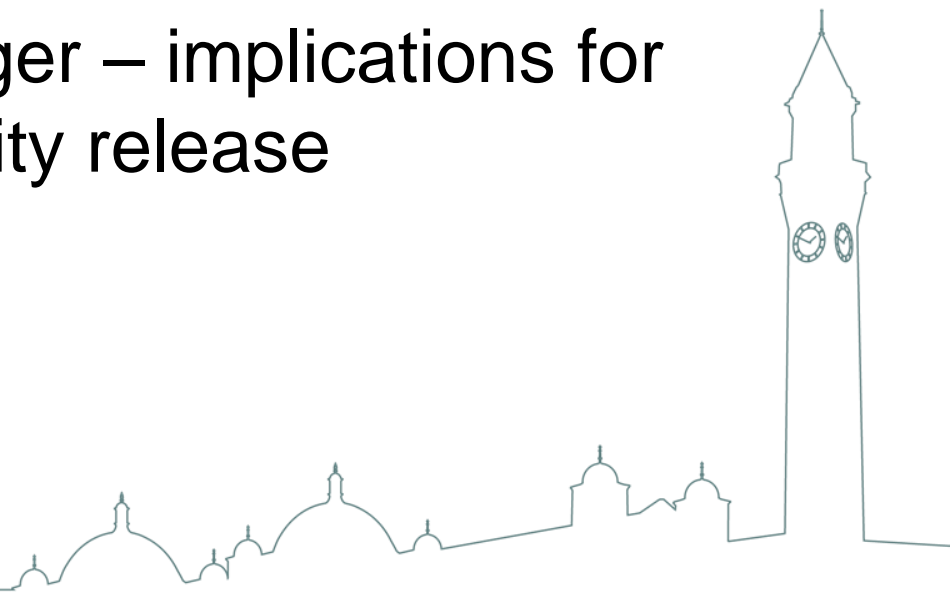
What opportunities do these changes bring?

- ❑ Overcoming demand-side barriers to wider uptake of equity release
- ❑ Meeting the needs and preferences of an increasingly diverse consumer population
- ❑ Greater flexibility for meeting changing needs and circumstances *throughout* retirement



What are the risks?

- ❑ Greater product choice increases decision-making complexity – implications for information and advice
- ❑ Borrowers getting younger – implications for long-term impact of equity release
- ❑ Consumer vulnerability



Supporting better consumer outcomes

- ❑ A more joined-up approach to advice and guidance
- ❑ Consumer protection beyond information and advice
- ❑ Greater understanding of changing consumer needs and preferences



Future challenges

- ❑ The shame and stigma of equity release
- ❑ Paying for care
- ❑ Lower levels of home ownership

