

MONEYAge

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Later life planning focus: Building a healthy future

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Planning for the future

The need for holistic retirement strategy implementation has never been so strong

With figures recently released as part of the Equity Release Council's *Beyond Bricks and Mortar* report showing that there are over 20.5 million over-55s in the UK at present (with 1.6 million of those being aged 65 and over), retirement planning is fast becoming an ever-more important facet of later life – especially as projections estimate that one in four people living in the UK will be aged over 65 by 2050.

While there's been a fall in average life expectancy forecasts, the Institute and Faculty of Actuaries nonetheless published life expectancy calculations earlier this year which put men over 65 to eventually live to just under 87 years old, with women over 65 on average expected to live to just over 89 years old. The notion of people potentially spending around 25 years of their lives as a retiree puts the importance of effective planning into stark focus,

especially as the profile of those in later life is rapidly changing.

What's rapidly becoming apparent is that the stereotype of the pipe-and-slippers retiree is fast becoming a thing of the past as the current crop of retirees increasingly seek to live out a more active life - this is demonstrated by significant rises in later life athletes and the growth of sports aimed at those in later life such as walking football. Research conducted by L&G saw some of the leading retirement aims and desires include traveling more, visiting Australia, emigrating, climbing a mountain and attending more gigs and concerts, further underlining ongoing trends that make the current generation of retirees among the most active on record. Yet while research conducted by Equity Release Supermarket shows that nearly half of a 4,000-person sample of those aged 40+ wanted to travel regularly in their later years, 22% said that they hadn't started

saving for retirement yet.

For all of the current generation of retirees' grand plans, there's a rapidly growing gulf between how they hope to spend their later years, and the realities of actually affording to do it. Recent statistics have demonstrated that the average man will outlive his retirement savings by around ten years (with women outliving theirs by twelve), and in addition have shown that on average a pensioner needs 35% - or £58.60 - more per week than the state pension to cover everyday living expenses. The latter statistic not only varies regionally, rising to a 63% increase needed to cover expenses in the South-East, but also tallies with current uses of equity release with 35% of applications from existing customers listing paying off unsecured loan as the key reason, alongside clearing outstanding mortgages (28%) and funding everyday expenses (21%).

With a 16% rise in housing costs allied to a 20% fall in private pensions, it's perhaps of little surprise that the Institute for Fiscal studies has noted a rise in pensioner poverty, which has risen from 13% in 2011/2012 to 16% in 2017/2018. Recent research has also indicated that this trend could continue with 46% of over-55s questioned by Close Brothers claim to not feel ready for retirement, and additional research conducted by Willis Owen has highlighted that a third of women don't currently have a pension plan, and that 41% of those also had no plans of starting one. Recent figures released by Scottish Widows underline the lack of effective planning by certain portions of the population with 17% of UK adults not saving anything at all for retirement, and a fifth of those questioned not feeling that they'll ever be able to retire.

With the retirement landscape continuing to evolve, and with the state pension increasingly failing to act as an effective sole income source for retirees it's arguably more important than ever for people to give greater thought and consideration to holistic retirement planning, including employing the services of a financial adviser to gain a better understanding of their available options.

If ever there was an indicator of the strength of the later life lending market this year, it's been the fact that it's been able to post 2% year-on-year Q2 customer growth. While the figures represent modest gains compared to the double-digit year-on-year increases seen during Q1 – the busiest start to a year on record according to the Equity Release Council – they nonetheless demonstrate ongoing growth in the face of ongoing political uncertainty which has impacted the wider financial services sector as a whole.

A lot of this growth can be attributed to the equity release market consistently providing products which, both in terms of scope and flexibility, continue to provide effective retirement solutions to the ever-rising ranks of those exploring later life lending as a potential retirement solution. In Q1 of this year 233 different plans were available to consumers, a 310% rise compared to the number offered in 2016 and a 62% increase from Q3 2018. In addition, increasing numbers of plans now offer inheritance and downsizing protection, ERC-free voluntary repayment options and a host of other features which afford lifetime mortgage holders the ability to enjoy their retirement without having to worry about how a change of circumstances could affect their financial arrangements.

But having a market that offers a wealth of product solutions is of little value if there isn't a knowledgeable bank of financial advisers on hand to act as a bridge between lenders and consumers, ensuring that those exploring equity release find a product best suited to their needs and have a positive experience. It's important we don't underestimate the important role that advisers can have in the wider process, a fact highlighted by the recent – and widely-reported – story, which saw diligent work by a financial adviser result in a £133,000 owed pension windfall for his potential customer (even if, unsurprisingly, said prospective client decided they didn't actually need equity release after all...).

As the market continues to grow we're frequently seeing alarming statistics which highlight the degree to which the market's core audience have limited knowledge



Onwards and upwards

Equity release is continuing to grow and the need for support in this market is essential

about later life lending product features or due processes, and we're also seeing a disconnect between people's expectations of how they envisioned their retirement and the stark reality of being able to afford it. With customer numbers continuing to rise, the role of advisers within our sector is arguably more important than ever.

Naturally, they can only continue giving accurate information to their customer base if they've the resources, support and materials available to them to both gain a full understanding of the current state of the market and allow them to best reach their customers. Back in 2016 we partnered with The Equity Release Council to produce *The Adviser Guide To Equity Release*, a one-stop information tool for those entering the market, and it was heartening to see that it received record levels of uptake last year – but what next after that, and how can the wider market continue to provide adviser support?

Many lenders and publications hold roadshow events and webinars, both of which offer an effective way to gain insight into current market trends as well as (in the case of the former) key networking opportunities. We've taken the extra step of developing our own Marketing Toolkit to provide cost-effective materials for advisers wanting to reach prospective clients, with

recent additions including white label presentations for use with both customers and introducers, and quarterly news summaries (augmented by supporting video content) to provide advisers with an overview of the key market and demographic trends which might influence how they operate going forward.

These sit alongside our existing library of offline and traditional marketing collateral (i.e. brochures, banners, flyers etc) and last year's Digital Toolkit which combines guiding documents with practical assistance solutions in an increasingly digital world, as part of our wider commitment to helping to grow the market through supporting those within it.

With the market continuing to grow, and a reported looming 'capacity crunch' which could potentially see future customer demand far outstrip current numbers of advisers, the wider market has a duty to not only look after those already within it but also to provide the levels of materials and support which will entice those yet to commit to interacting with the market. At Pure Retirement we're determined to do just that, and look forward to assisting the later life lending sector in continuing on its current upward trajectory.



On the lookout

Finding an adviser who understands all aspects of equity release isn't easy. Pure Retirement CEO Paul Carter explains the skills needed

With taking out equity release being a major decision for those who choose to explore it, it's little wonder that doing it through a qualified independent financial adviser is a mandatory part of the process. This has been underlined by recent research from SunLife which identified that only 1 in 10 of those surveyed fully understand equity release - when asked to identify if statements relating to later life lending were true or false 89% gave at least one wrong answer.

But if the finer points of a lifetime mortgage can be confusing for the average consumer, then so too can working out where to find the perfect independent adviser who fully understands the finer points of equity release and the likely needs of those who explore it. The best resource for those seeking advice is the recently refreshed Equity Release Council website, which has a members area where customers can input their postcode and a mileage radius (along with whether they'd prefer a face-to-face visit or a telephone-based appointment) and be presented with a list of suitable advisers in their areas.

Using an adviser who is a member of

the Equity Release Council will also mean that they'll be well aware of the Council's consumer-safeguarding SHIP standards, and will likely only recommend SHIP equity release schemes (or those who carry the same guarantees). The SHIP standards provide the following guarantees to consumers:

1. They may stay in their property for life providing it stays their main residence
2. They are entitled to a fair and simple outline of their lifetime mortgage or home reversion plan
3. They may move their plan to another suitable property without incurring any financial penalty
4. They retain the right to use an independent solicitor of their own choosing to take care of the legal work involved and to sign the SHIP certificate
5. They have the protection of the SHIP certificate which ensures they are aware of the terms and implications of the equity release plan
6. They have the protection of a no negative equity guarantee which means they will never owe more than the property is worth

These safeguards have seen later life

lending become one of the areas with the highest levels of customer satisfaction and fewest complaints, helping the industry shake off the stigma that lingers around it from the 1980s and 1990s and instead creating a positive customer experience that has won over self-confessed former sceptics such as Martin Lewis.

The early days of later life lending were plagued by a lack of regulation that led to unsuitable products (which in turn were often mis-sold), to the detriment of plan holders. The home income plans of the 1980s, which saw retirees encouraged to take out variable rate mortgages and put their money into stock market-related investment bonds, were especially troublesome. The assumption was that the income from these bonds was expected to be sufficient to pay the interest on the mortgage and provide additional income, but the market produced poor returns on the bonds as recession arrived, and at the same time interest rates rose and property values fell meaning plan-holders' debts usually increased.

Thankfully the market has developed considerably since those early missteps, with the products themselves evolving to feature unprecedented levels of flexibility, making them ever-more attractive to those exploring lending options in their later years. Increasing number of ranges now include features such as inheritance protection and downsizing and porting options, allowing consumers the peace of mind that their plan would continue to meet their needs even if their circumstances change. In addition, there's been a rise in the number of plans offering ERC-free partial repayment options, giving consumers greater control of their affairs when it comes to managing the rolling up of interest over the duration of the lifetime mortgage.

With knowledgeable advisers on hand to guide customers through a marketplace with huge amounts of choice and plan features, the market is arguably looking after its customers better than ever before thanks to both a comprehensive regulatory framework and product flexibility – and with rising numbers of people exploring equity release, this can only become increasingly important.

As we've already seen, there is a growing disconnect between people's retirement aspirations and their ability to afford them. Despite growing numbers of people surveyed in various pieces of research showing a greater awareness of the inherent flaws in their retirement planning, we're still seeing rises in pensioner poverty and in people working later.

Recent figures released by the Office for National Statistics showed that between February and April of 2019 alone there was an increase of 305,000 over-55s in work, easily the largest rise of any demographic group and which also included 80,000 over 65s. With a survey conducted by AIG Life showing that 31% of respondents expected to be working into their seventies, it's time for those nearing (or entering) retirement to consider holistic lifestyle financial planning in order to have a financial plan that matches their future plans.

Lifestyle financial planning is the process of having an adviser take the time to understand their client in order to create a detailed plan that attempts to create a picture of their financial future. This is based on both their goals and their personal circumstances such as income and expenditure, pensions and other investments. While some consumers are sceptical of the value of investing in financial advice, the payoff was proven earlier this year when a conversation with an adviser about equity release and other retirement funding options led to a consumer discovering he had a £133,000 state pension pot that he didn't know about.

While previous trends have seen the majority of retirees merely downsizing and using the returns to fund their later years, it's a model that's being questioned by those looking to a holistic solution to finance their retirement. The associated expenses with downsizing and moving rapidly eat into any benefit those considering it would see, and when allied to the fact that a lack of appropriate housing in current property stocks and rising house prices many now see it as an increasingly unpopular solution. This is without considering the sentimental bond many in later life feel to their home, with 66% of those surveyed as part of the Equity Release Council's *Beyond*



A healthy lifestyle

Advisers play a crucial role in the lifestyle financial planning process

Bricks And Mortar report claiming that they felt that their property is emotionally important to either them or their family.

For those offering lifestyle financial planning, it's important that they're aware of the changing attitudes to property wealth among their prospective customer base. While there might have previously been stigma surrounding releasing wealth previously tied up in property to finance future retirement plans, it's increasingly being seen as a viable avenue to explore among not only the current generation of people already in retirement, but also those approaching it. 51% of those questioned as part of the Equity Release Council's research now see money invested in property as part of their financial plans for later life, while 70% of those aged 45-64 see property as important to their financial comfort in later life. In addition, 44% of those surveyed felt that using a mortgage or loan

in later life is becoming a more commonly used retirement tool.

As the retirement landscape continues to rapidly change it remains paramount that customers are aware of all the avenues available to them to achieve their desired lifestyle (including releasing property wealth), and by extension that those offering lifestyle financial planning are aware of shifting trends. A number of satellite industries and trade bodies are great examples of the available resources to help advisers better understand their customers. While not directly associated with the later life lending sector, they nonetheless provide resources and information focused on many advisers' target audience, which might assist them in the way that they interact with their customers; the Mature Marketing Association and My Care Consultant's new long term care-focused Care Box resource platform being two great examples.



We're Celebrating Super Service at Pure Retirement

We're proud to share our award winning service with you through the Lifetime Mortgages and support we provide, as super service is something to be celebrated



Bespoke Marketing Support Second to None

Our skilled marketing team is on hand to create and deliver a wide range of marketing materials for you.

The Sector's best Distribution Team

Face to Face BDM's and dedicated Relationship Managers offering award winning service to you and the customers you represent.

Underwriters always on hand

Our underwriting team are always available to speak to, taking the time to answer any case queries you may have.



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Pure Retirement is a dedicated later life lending specialist who are committed to offering both market-leading retirement solutions and gold-standard customer service. Since forming in 2013 we've been at the forefront of the lifetime mortgage market, with our working practices being underpinned by our longstanding dedication to providing technical and product-based innovation to the market, offering the best possible support and service to our advisers and customers all the way from enquiry to completion (and beyond), and by appreciating that the market can only continue its current upward trajectory through advisers having access to cost-effective supporting resources.

In recent years we've undergone considerable expansion, culminating last December in a move from our former 5,000sqft office into a new 17,000sqft Class A workspace, in part accelerated by the growth of our workforce from 94 at the end of last year to just under 150 today. Offering our people the best possible working conditions is just one facet of our wider philosophy, and while we've grown we've never lost sight of the fact that our people are our most valuable asset, affording us the chance to remain a major player within our industry. This was underlined last year when we were awarded Gold-level Investors in People accreditation following a comprehensive assessment, validating both our unique culture and our ongoing investment in our staff development.

The combined talents of our workforce have allowed us to consistently innovate, both in terms of product offering and technological solutions. Earlier this year we launched what's believed to be the equity release market's first-ever mobile app, which alongside our updated online portal gives advisers tools to streamline their case management and provide the best possible service to their clients. We've similarly developed our product offering, bringing ERC-free partial repayments to whole of market thanks to recent enhancements to our Heritage range aimed at providing a product for those more concerned about features



In the spotlight

Pure Retirement CEO Paul Carter outlines the firm's abilities and skills

on their plans rather than a bottom-line interest rate. That same mentality also underpinned the launch of last year's Sovereign range, which looked to open up equity release to as many people as possible through wide-ranging lending criteria.

But in the same way that our expanded workforce has allowed us to evolve our products and technological innovation, it's also allowed us to bolster our service element too. We now boast one of the most extensive business development teams in the sector thanks to our Intermediary Sales team now consisting of three field BDMS, three telephone BDMs and three relationship managers. This has culminated in our field team making over 800 face-to-face visits this year. We've also grown our Application Support and Customer Account Servicing elements (the latter of which now manages a combined portfolio of over £1 billion), allowing us to provide leading service standards throughout the customer journey to plan completion and beyond.

But however many exciting developments have taken place in the past year, we've never lost sight of the need to provide advisers with the resources and tools to help them make the most of the

market's opportunities. Our ever popular adviser toolkit has consistently provided advisers with cost-effective marketing support, and this year we've added white label presentations and a quarterly market update report (with accompanying video content). And in addition we've also recently created a customer-facing YouTube channel to give consumers greater insight into lifetime mortgages and retirement planning in general. It follows on from our work with the Equity Release Council, where I sit on the board and several prominent members of staff are members of committee groups. As part of our relationship we created *The Adviser Guide To Equity Release* in partnership with the Council, which last year saw record levels of uptake and which we're looking forward to updating in the new year, to continue giving new advisers to the sector a comprehensive single-point guide to the market.

At Pure Retirement, we're proud of the last twelve months which have only strengthened our core beliefs and working methods. Rest assured that we're not resting on our successes though, and we look forward to using our hard work as a spring board to develop further in 2020 and beyond.