



## The importance of flexible lifetime mortgages

Understanding the changing behaviours and trends of later life customers is crucial for effective lifetime mortgage product development and a positive customer experience.

While the equity release market has proven itself to be resilient and a consistent hotbed of innovation and development amid challenging conditions, resulting in a sub-4% average market rate and over 500 products available in the market at present, it's nonetheless important that we don't lose sight of the need to understand our customers, and the effect that ongoing patterns, behaviours and trends can have on the way in which they interact with future major financial decisions.

Property will undoubtedly present a continued (and arguably increasingly important) role in the financial plans of those aged over-55s, especially given the recent trend of rising property prices. Nationally, across all age groups, this has resulted in a 10.9% increase in the average property price year-on-year to over £240,000 (equating to nearly £24,000 in numerical terms) and representing a significant increase from a national average of £170,000 seen ten years ago.

Among over-55s, the current rise in house prices has resulted in a marked growth in available equity for release, with figures from Canada Life putting the figure at the end of Q1 at over £650bn – a figure representing a £50bn rise from Q4 2020. There has naturally been some regional variance in these figures, with the South East (where average house prices have risen to around £345,000) seeing total available equity of £125bn, working out at around £110,000 per household.

The upshot for the equity release market at present is that it's contributing (along with increased gifting and greater

increase from wealthier customers with higher-value homes) to higher average amounts borrowed, especially on lump sum plans. However, for existing customers this could call for greater demand – or at least greater consideration – for additional borrowing and further advances as consumers seek to make the most of the additional available equity afforded by the current trend of rising house prices.

Lifetime mortgage customer trends, especially those among returning consumers, may also be impacted by retirement income patterns. While the latest Retirement Ready statistics point to a £1,000 year-on-year increase on expected annual retirement income, with the expected 2021 average among homeowners set to sit at just under £23,400, it's also worth noting that 22% of retirees are set to be living on less than the Joseph Rowntree' Foundations minimum income standard of £12,500 (a proportion that rises to 37% among non-homeowners).

This is allied to recent Which? research which has highlighted that two-person households need an average of £26,000 to enjoy a comfortable retirement, rising to £41,000 to enjoy a luxurious one. A typical joint household receiving £155 from a state pension collectively receiving £16,000 a year, meaning there's currently a significant gap to be filled by additional income sources to ensure a high standard of life and the cost of living having risen by 10% this year, not only could we be seeing increased interest in lifetime mortgages as a retirement solution, but existing customers may look towards additional borrowing in order to enjoy and maintain their quality of life.

Understanding our customer base has always been paramount for us at Pure Retirement, in order for us to not only be able to offer innovative product solutions (such as personalised rates on our Classic range, 20% and 40% annual ERC-free partial repayments on our Heritage Freedom 20 and 40 Ranges, and optional repayment facilities across all of our products), but to best serve them throughout their time with us. This has manifested itself in a comprehensively expanded Customer Account Servicing Team, and an improved customer journey through new literature at both the offer and completion stages explaining both the processes involved and the available plan features as we seek to ensure people are able to make informed choices when it comes to funding their later years.

The market has shown itself in recent years to be both willing and highly capable of evolving its product offering to meet the needs of prospective customers. However, it's important that we don't lose sight of a need for that level of understanding to be expanded to best serve clients throughout their mortgage term and ensure their interactions with the sector remain consistently positive.

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