Changing Working Habits Among Over-55s Highlight the Need for Flexible and Sophisticated Lifetime Mortgages

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According to the Centre for Ageing Better's report, The State of Ageing 2023-2024, there are around 4.2m more over-50 employees in the current workforce than there were in 2000. Additionally, over the same time period the amount of over-65 workers nearly tripled, from around 457,000 to 1.4m in 2023.

While the report acknowledges that these shifts are partially down to demographics, it also found that people in these age groups were more likely to be in work than the previous generation were at the turn of the century.

It would be fair to assume that with greater numbers of people in this age group in work, that the need to access retirement provisions would decrease, with people remaining a part of the workforce for as long as they need to in order to preserve their existing savings.

However, data from across the industry points to the fact that those in working age are increasingly accessing their pension pots early. Scottish Widows' data showed that 78% of retirees have dipped into their pension pots by the time they retire, with the findings also revealing that the average withdrawal amount at age 65 is £47,000.

These trends point towards the fact that while many over-55s remain in work, the effects of the cost-of-living crisis are increasingly causing people to raid their retirement savings. When we cross-reference the trends that we've seen in customer demographics among equity release customers alongside wider shifts in society as a whole, there is a likely shift towards more people also taking out equity release while potentially still in work.

Our H1 average customer profile found that the average age among applicants over the first half the year stood at 69 years old, continuing the trajectory of younger customers seen across the industry, and representing a drop from the average among Pure's customers of 74 years old seen in 2018. While this pattern suggests that people are more willing to take out equity release at a younger point in life, there will doubtless be those who will be put off by continuing to see a lifetime mortgage solely as a rollup interest product.

As an industry, we need to ensure we're effectively communicating the benefits of modern equity release plans, boasting features such as penalty-free optional repayments (which were also made an Equity Release Council product standard in 2022). But beyond that, we also need to ensure consumers are aware of the new breed of interest-serviced and mandatory payment term lifetime mortgages, which offer customers a reduced interest rate in return for making regular monthly payments.

We've understood the benefits of interest-serviced lifetime mortgages, especially among those who may want to take a lifetime mortgage earlier rather than later and are seeking to manage the interest while they're still working.

Under the initiative, we're proud to offer an interest servicing option across our Heritage lifetime mortgage range, with interest rate discounts of up to 1% will apply for customers making monthly payments from just 25% to 100% of the monthly interest. Customers can choose to stop making the monthly payments at any time, or if they just need a break from making payments, they can benefit from a payment holiday of up to three months each year from the date of completion.

Continued product innovation remains at the heart of the sector's current upward trajectory, and at its core is built on a deep customer understanding. With the Council's most recent market data pointing towards increased consumer activity within the later life lending space, being able to identify and understand key trends – such as working patterns – and leverage them to create product solutions that appeal to ever-wider audiences remains vital if the current momentum is to be sustained throughout the rest of the year and beyond.

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