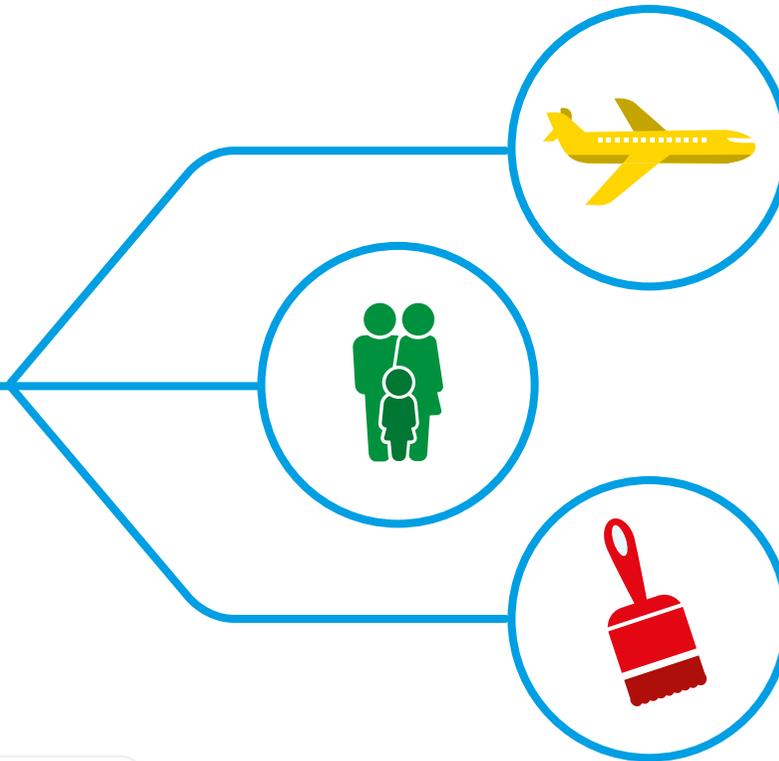


Are lifetime mortgages about to enter mainstream retirement planning?



Transforming retirement lending with multi award-winning lifetime mortgage solutions



This is not a consumer advertisement

It is intended for professional advisers and should not be relied upon by private customers or any other persons.

Lets look at the facts



More than pets or talking about the weather, Brits love their homes. £2.6 trillion is tied up in UK property, and £1.8 trillion of that belongs to homeowners aged 55 or older.

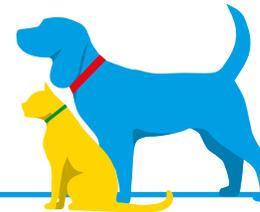


The value of our homes has increased more than 43 times that of inflation since the 1970s. Imagine if everyday grocery expenses had matched that pace of growth; a loaf of bread would leave little change from a fiver! Brits retiring now own homes worth an average £223,257, and many will have originally paid a fraction of this, leaving a healthy amount of equity. With savings and investments scraping along on low interest rates, and an acknowledged pension shortfall – how could people’s homes play a role in our nation’s retirement planning?

We questioned 344 Financial Advisers to see what they, and their clients, thought about lifetime mortgages and their role in plugging the retirement income gap.

90% say their clients want more income to **sustain a comfortable retirement**. On average the majority of people need up to £10,000 more per year – for a man retiring at 65 that could amount to an extra £157,000 over his lifetime, for a woman it could be £178,000.¹

69% are **already advising or referring** clients for lifetime mortgages as part of their retirement planning. Of all those surveyed, about a third advise and a third refer, with a very small percentage doing both.



How are advisers using lifetime mortgages to help their clients?

63% to help their client pay for home improvements

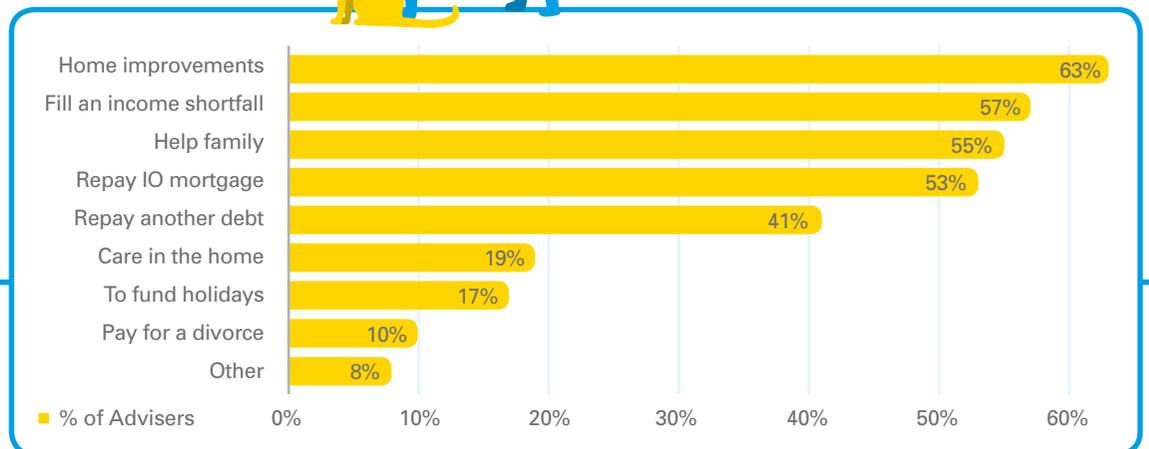
57% to fill an income shortfall

55% to help their family members financially

53% to repay an interest-only residential mortgage

41% to repay other debt

The growing trend of later life divorce was also playing a role. **1 in 10 advisers stated that they had used lifetime mortgages to facilitate a separation.** Couples who have invested in the family home may find that they no longer wish to live together in retirement. For them, equity release can enable them to move forward and buy separate properties.



¹ Public Health England, Recent Trends in Life Expectancy at Older Ages: Update to 2014, February 2016. Calculation based on 18.5 additional years of life expectancy for a man aged 65 in 2015. For a woman aged 65 it is an additional 20.9 years.

The current landscape



“ The findings in this Legal & General report absolutely reflect the behaviours that we are hearing from our members. Social trends such as divorce in later life, increasing care costs and longer life expectancies mean that more and more people are appreciating the benefits of equity release – both customers and advisers. It’s no longer considered ‘niche’ but a growing area of opportunity and I expect more momentum will pick up as confidence grows in the wider adviser community.”

Jane Hanlon
Premier Equity Release Club



The role of lifetime mortgages in paying for elderly care

An even greater proportion of advisers, **1 in 5, cited that lifetime mortgages had been used to pay for care.** In the 2016 general election the spiralling cost of in home care took centre stage. This consideration is also reflected in the needs of customers seeking financial advice in retirement.

While it’s still unclear how the value of people’s homes could be taken into financial consideration in the future, it’s possible that equity release could take some role. Whether it’s as an inheritance planning tool to avoid eroding inheritance tied up in homes or as a source of revenue to pay for care is uncertain. This could be down to the legislative changes yet to be decided.

Retirees living abroad in European expat hotspots such as Spain are also concerned. Some advisers feel people are concerned at the potential impact of changes to reciprocal healthcare agreements post-Brexit and it could pressure many to return to the UK.

The cost of life changes such as divorce or care creates uncertainty and challenges for both clients and their advisers. More optimistically, our research highlighted evidence of retirees keen to make the most of their increased freedom. **17% of advisers helped clients fund holidays. Buying caravans, new cars and even upsizing to dream homes were mentioned too.**

Lifetime mortgages are used to improve the clients’ quality of life to varying degrees. For some it would reduce financial stress and struggle, for others the released money allows a few treats and flexibility that weren’t available in their day-to-day budgets.

Is the old-style equity release stigma putting advisers off recommending the product?

In short, no. But there were still calls for support in reassuring consumers.

The majority of respondents were already advising or referring on lifetime mortgages. This left a small number who weren’t recommending the product in some form or other. Most of these reasoned that it wasn’t their main area of business or they didn’t have access to support networks.

Fears about market or product reputation barely registered in our survey, with just a handful citing these as reasons. Some advisers did comment that this was seen as a ‘last resort’ product or that other options viewed as more ‘beneficial’ were considered first. Advisers broadly acknowledged a gap in their market and product knowledge. This could point to a lack of education and confidence rather than product reputation influencing their choices.

Advisers actively recommending the product flagged a lack of awareness amongst clients and a need to ‘dispel the myths’ around lifetime mortgages to be able to grow their business.

Advisers involved in the lifetime mortgage market have faith in the product, but there is recognition that their clients may need more reassurance.

Expert advice



Introducing Rob Miles

Rob Miles joined us in July as Head of IFA Sales in Legal & General's Lifetime Mortgage business. Prior to joining Legal & General Home Finance, Miles was Head of Legal & General Individual Wealth Sales.

Rob is spearheading Legal & General's strategic aim of making lifetime mortgages a mainstream solution for retirees with accumulated property wealth.

“ I believe that lifetime mortgages should be playing a greater role in retirement planning. My background at Legal & General is working with wealth advisers and we've seen a growing interest in the equity release space. My new role as Head of IFA Sales will enable me to engage with advisers and identify how we can support them expanding into this lucrative market. This research is the first step in identifying the barriers to entry, but there is more to be done. My priority over the next few months is speaking directly with advisers, hearing their views and seeing how best we can support and grow their business.”

Call or email Rob to find out more. He's meeting company directors and advisers from all over the UK to hear your challenges and build greater support for those looking to join the lifetime mortgage community.

Many advisers do not feel confident advising on lifetime mortgages

57% aren't qualified to sell the products and this prevented them selling direct. Of those who aren't qualified, over half (53%) would like more support with a qualification to be able to advise on lifetime mortgages.

A lack of confidence in their understanding and support came through strongly in our research.

40% would be more encouraged to advise if they had better product understanding

27% would be more encouraged to advise if they had a better understanding of the market

32% of advisers said that they would like to know more about how lifetime mortgages could help their clients and 16% wanted more help with lead generation

16% feel that they don't have enough access to support networks

6% of advisers cited commission levels as a barrier to advising on lifetime mortgages. Anecdotally, we know that many advisers are diversifying into the lifetime mortgage market – there's money to be made for those prepared to tackle the steep learning curve.

Being qualified appears to be just one part of the puzzle

Around 1 in 5 of the qualified advisers we spoke to choose not to advise on lifetime mortgages.

In summary, there's appetite but not expertise to grab this opportunity – yet. This may be due to change shortly. The Equity Release Council is striving to make lifetime mortgage qualifications more accessible which should encourage more advisers to dabble in the market. Will they build enough confidence to compete with specialist equity release advisers? That remains to be seen.

The findings of this research have been eye-opening. There's clearly work to do before lifetime mortgages shift into mainstream retirement planning. Advisers are keen, but don't yet have the full support needed to maximise the opportunity. The retirement income shortfall paired with long-term continued house price growth means there'll be plenty of incentive to jump on the wagon.

Important information

- A lifetime mortgage creates a debt against the borrower's home
- Other options to borrow money should be considered, which may be more cost effective
- If your client gives the money away, the recipient may have to pay inheritance tax in the future

✉ rob.miles@landg.com

☎ **07979 534637**