

Note of equity release round table event November 7th Nuffield Foundation

The UK population is ageing, placing pressure on housing, health and social care services. Most older people own their homes outright and prefer to remain in the same home as they age, which often requires financial investment, e.g. to pay for home adaptations and care. One way to meet these costs is to release equity from the home. This can be done by moving house, but it can also be done without moving by using equity release products.

The Cambridge Centre for Housing and Planning Research at the University of Cambridge has been funded by the Nuffield Foundation to explore the key current issues shaping equity release by older home owners.

The Centre has conducted recent research around housing and ageing, for example, working with the national information and advice service for older people FirstStop, the Cambridge Older Peoples' Reference Group, exploring the role of planning in delivering choice for older people in London, and more broadly, analysing the future of homeownership and tenure trends and the impact of recent welfare changes.

The aim of this scoping study is to review our existing knowledge base about the use (or not, in most cases) of equity release by older homeowners. It will pull together findings across existing literature, different data sets and draw on discussions with key stakeholders to identify what is already known about equity release in later life, what is missing from the current evidence base and the key research questions that need tackling in relation to current and likely future policy directions.

As part of this research a round table discussion was held on the 7th of November in London bringing together key stakeholders from different sectors to discuss issues shaping the use of equity release now and looking into the future. One of the issues discussed was the relatively low take up of equity release products, particularly in a context where older households are increasingly asset rich but income poor, and where satisfaction with the products amongst those who use them is high. Rather than the nature of the products being a disincentive to releasing equity, discussion focused on how it is an emotive decision to release funds or to trade down. People have often lived in their homes for a very long time and often do not consider their property as a financial asset in planning for later life.

However, as increasing numbers of people enter retirement with existing debt and relatively lower pensions, it is possible that the market will grow as more people release equity from their homes as part of financial strategies to manage what are likely to be increasingly complicated retirements. One issue raised in the discussion was that the people who find out about equity release are either those in dire financial need who seek advice, or those at the top end of the market with high value homes and who may have financial advisors to inform them about the products. There is a group in the middle who could benefit from the products but who are not really aware of them and this advice gap poses a challenge. Equity release does not sit neatly within any particular government department, and so there is little impetus for policy makers to engage.

Discussion also reflected on how there is no single market for equity release, but it is varied and nuanced. There is also increasingly an issue of intergenerational interdependence, as not only are attitudes towards inheritance changing, but there is also a growth in family members of the older generation subsidising younger members in both their day to day living

and in supporting them financially to access home ownership, so there is one pot of housing wealth for several generations. A further issue discussed was the ways in which home ownership is declining and restructuring. People will have mortgages into retirement, enter home ownership later and hold mortgages for longer. Outright home ownership will rise for a while, then fall as first time buyers are squeezed. The generational rise in home ownership is ending. There is a group of older home owners who are may be happy to utilise the equity in their homes with the right support and advice. But this could be followed by middle aged home owners who may revert back to being more conservative about using their housing equity. So the market may increase then shrink back and how it will evolve is uncertain.

The UK has the most sophisticated market in the world, and whilst the aim is for the market to triple in the next 3-5 years, this is uncertain as there are barriers to entry into the market relating to regulation and risk.

For more information about this research or about the work of the Cambridge Centre for Housing and Planning Research, please contact Dr Gemma Burgess on gjb36@cam.ac.uk or 01223 764547. Or see our website at <http://www.cchpr.landecon.cam.ac.uk/>.