IndustryVoice

Analysis, commentary and trends for the UK mortgage and protection industry | Edition 14 Autumn 2023

Later Life Edition

Articles from

- More2life
- Standard Life
- Legal & General
- Let's Talk Ageing
- Pure Retirement
- Royal London
- Bravestarts
- Keylu
- And Iress

Our partners:

Welcome

For this edition, we have asked a number of Later Life specialists to share their viewpoints and to give a taste of "what's next"?

This issue takes a deep dive into Later Life looking at how the landscape is changing. Iress, along with some leading Later Life providers, talk about key trends, new product innovations, and customer insight to provide some visibility on the ever changing nature and demands of this industry.

A special thank you to our partners and contributors for sharing their thoughts about new plans, approaches, and driving positive change to the relationships between lenders and consumers.

We are always keen to hear your thoughts about this issue and the topics raised.

If you would like to get in touch, please contact the Advertising & Sponsorship Manager, Neal Ray.

Visit: **iress.com/industry-voice** for more perspectives from our provider & lender partners about the issues affecting our industry.

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The Irreversible Nature of Retirement Options: **Why Expert Advice is Crucial**

Robert Bowes
Senior Product Manager, Iress

When it comes to both saving for retirement and making decisions at the point of retirement, there are choices that can be hugely beneficial, but sometimes they come with a catch - once these choices are made, and any cooling-off period has elapsed, there's no turning back. It's akin to being ensnared in a lobster pot; once the funds have been committed, there's no way to reverse this decision.

As a fervent advocate for animal rights, I can't help but draw a comparison between the captivity of lobsters and the financial "lobster pots" that individuals often find themselves in. While the financial implications of these traps may not be as bleak as their crustacean counterparts, there are parallels where it feels like there is no way out.

When it comes to entering these pension-related lobster pots, careful consideration and seeking professional advice are paramount. The principles of Consumer Duty must guide these decisions, and advisers must exercise an extra level of diligence to ensure that their clients fully comprehend the gravity of the choices before them. After all, no one possesses a crystal ball to glimpse into the future and foresee how their circumstances may evolve.

In the shifting financial landscape where pension funds are transitioning from primarily defined benefit to defined contribution, these decisions are becoming increasingly common, as well as there being a greater challenge in generating sufficient retirement income. Though some defined benefit schemes still exist, they are now primarily found in the public sector or quasi-public sectors (in the latter case public finances also often bearing the responsibility). These schemes not only provide more generous retirement incomes but also spare individuals from some very challenging (and, what sometimes feel like, irreversible) decisions.

Saving for a Pension

Let's start by exploring the accumulation stage—saving for retirement, where the money deposited into a pension cannot be accessed until a specific age.

There are compelling reasons to fund your pension, including tax incentives and potential fund growth, all in pursuit of your desired retirement lifestyle and the age at which you wish to stop working. However, the decision to funnel excess earnings into your pension might mean this money is effectively locked away for decades.

Consider a scenario: someone in their twenties or thirties diligently pays into their pension, lured by tax incentives. Meanwhile, another person in a similar position might opt for an ISA, retaining access to their funds for various purposes, including the ability to purchase their first home, whereas the person that invested in their pension may not have access to those funds to put down a deposit.

While auto-enrollment has boosted pension participation, and that is on the whole a good thing, it presupposes that locking away funds is the right choice for everyone, even if it potentially precludes them from owning a home. Additionally, legislative changes may alter the pension landscape in unpredictable ways. Although we lack that crystal ball, we can't afford to ignore the possibility of such changes affecting our retirement plans, especially considering the fiscal challenges ahead.

Securing an Income

As the only way to guarantee a lifetime income, lifetime annuities should be a prominent consideration in retirement planning. Annuities can be purchased using some or all of the funds in a pension.

However, once this decision is made, there's no turning back. (There were discussions about the possibility of selling back annuities in the past, but this idea never came to fruition, for valid reasons.) Funds invested in annuities are dedicated to providing a regular income and cannot by themselves be used for significant expenditures, whether for family assistance, home improvements, or emergencies.

Level annuities purchased a year ago have seen their real-term incomes eroded by inflation, with rates considerably lower than they are today, leaving many of those who opted for these policies with diminishing income that's eroded further by inflation each year.

Opting for inflation-protected income results in a much lower initial annuity rate, but given the unpredictability of our times, this additional security could be invaluable to some. The value of inflation protection, where available in defined benefit schemes, cannot be overstated.

However, it's worth acknowledging that locking into an annuity isn't the only path that might lead to regret, nor is it the worst. For example, it could be far more distressing to witness a drawdown fund plummet after a market crash, or to be depleted entirely.

Conclusion

Often, the best options for retirement are seemingly irreversible ones. Before making these choices and committing to them, consumers must fully grasp what they are signing up for and consider various future scenarios. Advisers bear the responsibility of ensuring that their clients not only understand the product and its workings but also the potential circumstances that might lead them to wish they had taken a different path. In a world of financial lobster pots, expert guidance becomes the compass guiding us through uncharted waters, helping us navigate the intricacies of retirement planning with confidence.

What does the rest of the year look like for **Equity Release?**

Ben Waugh
Managing Director at more2life

For anyone working in the mortgage lending market – whether that's with clients who are at the first time or last time end of the borrowing spectrum – the last nine months have arguably been some of the toughest in living memory.

That's not to say we haven't experienced the 'boom and bust' of housing market trends before, far from it. But the sheer scale and speed of the shockwaves that hit the lending industry in September and reverberated throughout the following months created a craggy and difficult to navigate landscape for even the most experienced and hardy adviser.

This is as true in the later life lending market as it is on the residential side of the mortgage fence. Product culls, rate increases and LTV cuts became the order of the day as later life lenders attempted to keep pace with the wider economic drivers set loose in the swaps and gilt rate market.

It is no surprise, then, that as the tremors subside we now see the full extent of that economic impact, with Q2 lending figures underscoring the quietest quarter of lending in equity release since the middle part of the last decade. With completed lending in Q2 taking the H1 total to around £1.3bn according to the Equity Release Council, you have to go back to 2016 to find a comparable period of borrowing activity.

So, has the equity release balloon finally burst?

Not so, certainly not when you look at the underlying evidence. The later life lending market, much like the wider residential lending market, has proven time and again to be highly resilient, adaptable and innovative when it comes to responding to market challenges.

For a start, we can already see the green shoots of growth ahead of us in the second half of 2023. The Q2 lending figures show a marked slowdown in the decline of new business compared to Q1 when set against the performance over the previous three quarters, suggesting that the market is finally 'bottoming out' as rates stabilise and product options begin to return to the market.

Indeed, compared to December 2022 when the number of products available had fallen to 242 from a high of almost 600 in September before the mini-Budget, we now have over 330 options available to clients – a higher number than at the beginning of the 2020s and evidence of increased lender confidence as they bring back higher LTV plans and other options 'mothballed' in Q4 last year.

And given the high levels of customer searches online and demand via our referral network, it would seem that equity release remains high on the wish list of later life consumers who are trying to recalibrate their retirement financial plans during this difficult cost-of-living environment.

Many of the customers we deal with at the moment are those looking to repay existing mortgage and other debt in order to improve their overall financial position. Indeed, more than half of our introducers are mortgage brokers and the flexibility of modern lifetime mortgages can often provide a solution to clients with mortgage debt who otherwise would be left financially floundering on their existing lender's SVR.

This popularity amongst mortgage broker referral partners has been driven in part by the increasing competitiveness of later life borrowing. As the chart below shows, the gap between average lifetime mortgage rates (which are fixed for life) and average 2yr and 5yr fixed mortgage rates has been narrowing over the past few years. And notwithstanding the recent upward shift in rates, today that gap is all but gone with lifetime mortgage rates on a par with fixed rate residential mortgage loans and considerably lower than the average SVR which currently stands at 7.57% according to **better.co.uk**.

Source: Key 2023 H1 Market Monitor

Coupled with this rate convergence – which once and for all dispels the myth that equity release is an expensive form of borrowing compared to mainstream mortgages – we have the increased adaptability of modern lifetime mortgages that allow for penalty-free capital as well as interest repayments, fixed Early Repayment Charges and other protections designed to future-proof a client's financial position.

This means that lifetime mortgages are no longer the 'one and done' solution of 30 years ago but a highly adaptable lending option for those looking to leverage the wealth locked up in their bricks and mortar for any number of purposes – from debt mitigation to intergenerational gifting, home improvements and boosting retirement spending. And it is this combination of features and benefits which is driving ongoing and increased demand from consumers, despite the recent headwinds of economic turmoil.

As we look ahead to H2, better-then-expected economic news on inflation along with a stabilisation of long-term gilt rates has brought increased stability and a degree of optimism to the wider mortgage market. And while we cannot expect to see a return to the super-low interest rates of two years ago anytime soon, the green shoots of recovery are already showing through and present huge opportunities for advisers and mortgage brokers who are looking to provide an even better outcome in retirement for their later life clients.

Should good client outcomes come with a guarantee?

Claire Altman
Managing Director, Individual Retirement, Standard Life

Standard Life
Part of Phoenix Group

While the Consumer Duty has launched, its mission has only just begun. And as the regulator sharpens its focus on how advisers work to achieve good outcomes for their clients, is now the time for partial or phased annuity purchases to play a key role in your retirement income planning?

Advisers have a lot to contend with right now.

Not only has the regulatory environment shifted, but the wider social and economic picture has been significantly transformed – and it's all happened within a relatively short period of time.

On the face of it, the driving principle behind the Consumer Duty doesn't feel particularly game changing. Surely all advisers will aim to deliver a good outcome for their clients and keep their best interests at heart? But when you layer in the FCA's cross-cutting rules, things start to get a lot more complicated – especially in the current climate.

In particular, advisers need to demonstrate how they've helped their clients achieve their financial objectives, while also avoiding foreseeable harm. If you take a moment to consider the risks that might hinder these objectives, such as market volatility, interest rate fluctuations and rising life expectancy, you quickly begin to see how there's a lot more complexity for advisers to juggle.

A new era for retirement income planning

The freedom and flexibility of drawdown will always be an attractive option for those who feel ready to access their pension savings. But, at the same time, more than three quarters of people (78%) say they want financial certainty in retirement – while more than half (58%) worry about running out of money in their later years.[1]

It's therefore become increasingly important to help clients understand that their retirement income doesn't have to be a binary choice between drawdown and annuities. Indeed, by combining the two, there's room to enjoy the benefits of both worlds. A regular income that's guaranteed for life, and a pot of savings that can hopefully enjoy future investment growth, but can also be accessed whenever it's needed.

Finding the right balance between certainty and flexibility

As with any income strategy, a partial annuity purchase will need to be carefully planned and tailored to match the unique needs of each client.

A good starting point would be understanding what the essential outgoings look like – and this will again differ from individual to individual. Some people will want to know that, no matter what, their household bills will be covered. Others may want help in securing a certain lifestyle, and this could mean protecting their ability to pay for a gym membership or TV subscription.

Of course, you will want to factor in any regular incomings – and this could include State Pension payments. You can then start to build a clear picture of the income each client needs – and how much of their pension savings will be needed to secure it.

You can also consider whether any inflation proofing would be of benefit to the individual, to help them retain the buying power of their ongoing annuity payments.

Secure the future, one annuity at a time

It's important to remember that buying an annuity doesn't have to be a one and done decision. And a phased approach could be more advantageous to your client – especially as the rates you'll be able to secure will improve as they get older. Not only that, but it can also help to gradually reduce your client's exposure to interest rate fluctuations, market volatility and longevity risks.

Again, this would need careful planning, ongoing reviews and a close understanding of your client's evolving needs. While they may want the comfort of financial certainty, they may also want to preserve liquidity and flexibility with some of their remaining pension savings. And it's down to you to understand where the dial might sit at any given time – and then when might be the optimal moment to make a transition from one to the other.

Time to make a change?

What's clear is that the world is rapidly changing. Not only in terms of consumer needs, but the FCA's thematic review of retirement income advice is also coming down the tracks. And this, in the regulator's own words, 'will be an important indicator of how firms are implementing the Consumer Duty.'

Considering a phased or partial annuity strategy as part of your client's retirement income mix could be a positive step in helping your firm to get ready for both.

To find how Standard Life can help, visit us at **standardlife.co.uk/guaranteedincome**

Money invested is at risk.

1. Standard Life, Retirement Voice 2022

Consumer Duty: the next step in truly **holistic retirement advice**

David Jones
Distribution Director, Legal & General

Consumer Duty has been a central focus for businesses, advisers and the media ahead of its launch this summer. Its impact is to be felt most by consumers, who will benefit increasingly from later-life lending solutions, as a result of a greater emphasis on holistic advice to help people meet their needs in retirement.

The new regulations seek to drive enhanced consumer outcomes across the financial services industry. Lenders, product providers and advisers are working hard together to prepare, putting measures in place to ensure they are complying in the best interests of our customers.

Consumer Duty provides an opportunity for both providers and advisers to evaluate their approach. Is their advice fit for purpose, easy to digest and tailored to the customer's individual needs?

Collectively, the industry needs to make sure that holistic financial advice is provided, presenting all available options and actively ruling out products that don't apply to the customer. For advisers, there is the chance for you to broaden the range of products you advise on and gain additional qualifications. This will also open doors into the specialist sectors, where there is a demand to meet changing consumer needs and specific individual circumstances.

The home is a substantial asset for many and can play a key role in helping clients nearing or at retirement achieve their later-life goals. With longer life expectancies and the need for pension pots to cover greater costs, Consumer Duty comes at a time when attitudes towards property wealth are already shifting from being part of a traditional inheritance, to being part of modern financial planning. Value in the home can be used to provide support through gifting to loved ones, making long-term home improvements and to supplement income.

The equity release market continues to flourish, with the **Equity Release Council reporting**[1] record activity in 2022, with 93,421 new and returning customers choosing to access their property wealth via equity release products. Up 23% year-on-year, this is the highest rate of growth since 2018.

In line with growing demand, there is now a diverse range of products available that cater to individual needs, which can help to supplement smaller pension pots and manage longer life expectancies. The lifetime mortgage market already has some of the most stringent safeguards in place to protect customer outcomes. As a result of Consumer Duty regulations, we anticipate that advisers will increasingly be looking to onboard new skills, building their credentials in order to provide a complete range of solutions to their clients.

With such a wide range of products now available across the market, and continuing to grow, qualification specifications are changing. It's going to be even more important for advisers to have a strong network of referral relationships in place, whilst they consider further steps to advise on the full spectrum of later-life lending products available.

It is important to note that whilst advisers are increasingly looking to later-life products, some solutions are still sometimes discounted, and we hope that Consumer Duty regulations will hopefully help address this by prioritising consumer needs, ensuring they are given the best holistic outcomes.

To support advisers, we have our **Adviser Academy**, which not only supports professional development in later-life planning but encourages more advisers to become qualified and broaden the range of products they can advise on. In addition, our **Later Life Mortgages Portal** caters to adviser needs and their wide customer base, designed with adviser feedback in mind.

Consumer Duty is hopefully the next step for providers, advisers and consumers in offering a holistic retirement journey, which takes into account the diversity of people's circumstances.

Your advice and guidance is vital, but we're always here to help you better serve your clients if you need us.

Our experienced team is at hand to help with complex cases and questions on everything from underwriting to tax guidance to help for vulnerable customers.

Register your interest

1 Equity Release Council, Q4 2022 equity release market statistics, 31/01/23

Customer Voice: What does **retirement** look like today?

Rachel Pease
Later Life Marketing Services, Mash Marketing Consultancy

Retirement is a word with lots of connotations. It means different things to different people, and attitudes towards it amongst today's over 50s have vastly changed from the generations of the past.

Recent research* in collaboration with the Silver Marketing Association and Pure Retirement has examined the changes in attitudes and priorities of the over 50s demographic with some interesting results. Since the pandemic in particular, a definitive shift has been seen from a focus on the importance of wealth and status, to an appreciation of the importance of wellbeing, friends and family, into retirement and beyond. Keeping up with the Joneses and a focus on how retirement looks from the outside to their peers has largely been replaced with making time for themselves, looking after themselves and their loved ones, with a new appreciation of the things that are truly important.

But the shift in attitude goes further than that. Even the word 'retirement' itself is not something which many are ready to associate with. It portrays the idea of 'stopping and resting' which just isn't an accurate representation of over 50s life today.

Staying active, fit and healthy is a high priority and there's a real importance on looking and feeling good, no matter what age you are. Walking football is still one of the fastest growing sports, with thousands of players across the UK, including people in their 70s and 80s who are playing on a regular basis. In their own words, they're a lively and vibrant group who want to be out there meeting up with friends, going to the gym, kicking a ball about with their grandchildren, living their life the

> A definitive shift has been seen from a focus on the importance of wealth and status, to an appreciation of the importance of wellbeing, friends and family, into retirement and beyond.

way they want to, with no intention of 'retiring' from it.

And in many cases, this extends to working life as well. BraveStarts are a not-for-profit organisation who've formed specifically to support the over 50s with their goals to return to the workplace, and not just into the same old roles they've held throughout their lives, but into new and exciting opportunities they may not have tried before.

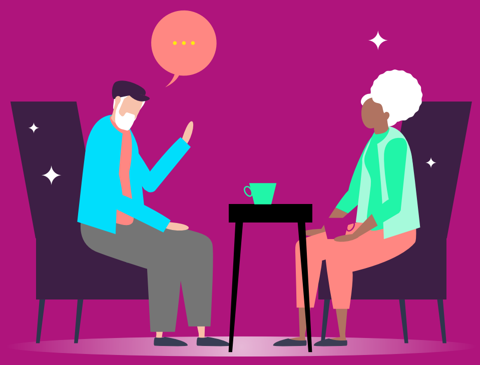
They want to be empowered to manage their own legacy, and life-planning organisations like Keylu allow them to take charge, keeping the important things all in one place so they can concentrate on living. It's important to recognise the holistic needs of this complex demographic and the responsibility we have to accommodate their requirements, adding value across our services as standard practice within the market.

So perhaps it's time for a shift in the language we use as well as our attitudes to retirement. Perhaps it's less about 'retirement' and more about simply stepping into the next stage of our lives and the new opportunities to come, whatever they may be.

We've worked closely with Let's Talk Ageing, speaking with their consumer panel, aged 55 to 70, to ask them directly what retirement means to them today, and the considerations which are of most importance.

*Effective Brand Positioning Today for the over 50s Market, available from The Silver Marketing Association and Pure Retirement

www.mash-marketing.co.uk



Customer Voice: Let's Talk **Ageing**

Graeme McKenzie
Director, Let's Talk Ageing

The consumer panel at Let's Talk Ageing were asked 5 questions about retirement, offering their thoughts on what it means and what's important, sharing an insight into the Customer Voice amongst the commentary from the experts.

The word 'retirement' is an emotive word, and marmite to many older UK consumers who are either approaching or already in retirement. People behave differently when explaining what retirement means to them. For some people it's a positive word used to define 'giving up work,' 'relief from the daily grind,' 'spending more time relaxing' and enjoying family, hobbies and pastimes.

However, for some it can be perceived as a negative word, inferring the start of a quieter and more sedate life. Associated phrases that sprung to mind among the panel were 'the start of the end,' causing them to 'worry about how long they have left.' For many, they might still want to work, or they may have stopped working in a paid-for job but they're still very active, wanting to learn and continuing to embrace new opportunities.

What does your ideal retirement look like?

The ideal retirement for many would revolve around having no financial money worries, including paying off the mortgage, having a decent private pension along with the State Pension, and having a reasonable amount of savings, allowing them the funding for the things they enjoy doing.

It would be stress-free, happy, healthy and affordable. Spending more time with the family would be important, as would the freedom to travel and enjoy hobbies and pastimes old and new, that the working life has restricted.

What concerns do you have in achieving it, or what challenges have you faced to get there?

Fear and lack of confidence about having enough money to retire is a major issue with many people either in or approaching retirement.

For some, it has turned into a case of focussing on what they need for retirement rather than the ideal of what they would want.

Recognising that their pension provision is inadequate to support their retirement lifestyle is a concern. For many, retirement is a struggle both financially and emotionally, with many people having to make significant cut-backs and worrying about their health and ability to continue working as long as may be required.

Have you changed your mind about what you want from retirement since Covid?

For many people the impact of Covid focussed their minds on the importance of good health and whether they wanted to continue working. And without doubt, Covid acted as a trigger for some people to opt for 'early' retirement in their 50s, leaving the 'rat race'.

For some, Covid has meant that they're having to work longer than planned, especially the self-employed. Some were impacted by the isolation that Covid brought, wanting to remain working to retain their community and connections. Many people's attitudes have changed to 'make the most of life when you can as you're never quite sure what's round the corner,' while others have unfortunately become more fearful about the future.

What impact have financials had on your decisions about retirement?

Many people approaching or in retirement have some form of financial concerns. Few people have built up a large enough pension or savings pot to enable them to have a contented and comfortable retirement. Some have experienced a significant reduction in income post retiring, not helped by the cost of living crisis. For others, the financial impact has resulted in having to continue working in part-time work. For those with savings, there's recognition that higher interest rates are now beginning to provide a valuable additional income for retirement.

What advice would you give to those who are starting to approach retirement now?

The responses to this question had a resounding focus on the financial aspects of retirement. Reviewing pension funds to ensure they are performing and where possible increasing or topping up contributions to help boost pension pots was a constant running theme.

"Don't underestimate the cost of retirement and how long you might live for."

www.letstalkageing.co.uk

*Follow-on information will appear on pages 24-29

In today's ever-changing financial landscape, equity release schemes have allowed homeowners to tap into their housing wealth to achieve a variety of financial goals. However, now more than ever, navigating the complexities of an equity release contract requires expert guidance, and this is where equity release solicitors play a pivotal role.

Independent legal advice is one of the core consumer safeguards in the modern equity release market and provides an invaluable layer of client protection. It is vital that clients spend time finding a suitably qualified solicitor, and often by using a specialist firm who have a long track record of advising equity release clients can benefit from a quicker, more cost effecive and smoother process.

Matthew Taylor, Business Development Director, Equilaw

Now more than ever customers are considering their options in retirement and for many homeowners, equity release may be an option to help them achieve their financial goals. At Responsible Lending, exclusive providers of the Royal London Equity Release product range, we are dedicated to ensuring that our customers receive the exceptional and personalised service that they deserve, no matter their reason for release. That's why we've put the teams in place to ensure that customers, and their advisers, are supported for the duration of their Lifetime Mortgage.

Chris Flowers, Intermediary Sales Director, Responsible Lending

The combination of high interest rates, as well as the standards required by the new Consumer Duty regulation, means that it is particularly crucial to consider your clients' long term borrowing. At Standard Life Home Finance, we advocate continuous improvement and work closely with advisers on how to maximise sourcing, enabling advisers to achieve the best customer outcomes. Looking for features such as downsizing protection, lower fixed ERCs and an unlimited ERC exemption period, are other ways you can ensure your clients have flexibility and control over their financial future. That's why at Standard Life Home Finance, we ensure that the product your client takes out today is equipped to support them in the future if their circumstances change.

Kay Westgarth, Sales Director

The Exchange is ideally placed to help brokers ensure that their customers are getting the most appropriate product whether that is for 'Pre' or 'At' retirement products. Our industry leading services include real time quotes and seamless application journeys all of which have been designed with the broker in mind. We work with the entire market, meaning brokers can be confident they are researching all of the necessary options.

Warren O'Connell, Head of Business Development - Sourcing, Iress

There is no doubt that we are in the midst of a fast changing and uncertain economic landscape, one that is difficult to predict, and has caused financial pressures to many. To me it appears that this economic landscape is accompanied by a societal shift towards wellness and a growing interest in financial education and planning. For later life planning this growing awareness and the need for individuals to take a more active interest is critical, as gone are the days where a guaranteed pension will provide the lifestyle people expect, with no decisions required. And whilst predicting the future won't get any easier, access to information, support and advice powered by easy to use technology will help underpin a great customer experience that results in good customer outcomes. At Iress we will continue to play our part both in how we innovate and enhance our technology but also in how we guide and promote industry solutions, support and information - including this edition of Industry voice!

Jacqueline Durbin, Global Head of Product - Life, Pensions & Mortgages, Iress

Is **Consumer Confidence** Returning In The Equity Release Sector?

Scott Burman
Head of Distribution, Pure Retirement

The first half of this year has undoubtedly had its challenges for a number of industries, as the cost-of-living crisis and inflation have dented consumer confidence, and caused many to take stock before making any major decision. This has extended to borrowing, which has seen a definite downturn year-on-year thanks largely to an increase in rates. However, looking at our own H1 data, there are signs that people are willing to take out lifetime mortgages for more aspirational means – let's look in more detail.

Initial Borrowing

Home improvements have remained the most popular reason for applicants to release equity among new customers, rising to 24% as a proportion of application volume from 22% in 2022. Similarly, mortgage and debt repayment has remained the second-most popular reason year-on-year, though in this instance dropping slightly to 21% from 22% in 2022.

However, releasing funds for a holiday has risen from the fifth most popular reason in 2022, to the third in 2023, pointing to increasing customer confidence and willingness when it comes to using released equity for lifestyle means – a fact backed up by car purchases remaining among the top five uses of funds year-on-year.

Cash Releases and Additional Borrowing

When it comes to drawdown customers, cash release usage continues to be dominated by home improvements - though with a drop to 40%, from 46% in 2022. Similarly, holidays remain the second most popular reason for released funds, albeit with a 2% reduction compared to 2022. Releasing funds to cover living expenses has entered as 2023's third most popular reason to access a cash release, pointing towards existing equity release customers electing to use their reserves for more day-to-day reasons. As with initial advances, car purchase remains a top-five reason to release funds, holding its share of application volume but falling from the third to the fourth most popular reason.

For those taking out additional borrowing via further advances, home improvements again represent the most popular reason for releasing more funds, although holidays have jumped from the fourth most popular reason to the second. Year on year, creating an emergency fund and paying off debts have remained the third and fifth most popular reasons for additional borrowing respectively.

Where Does Gifting Fit Into Things?

Despite many predicting that there would be an uptick in gifting as a result of increased mortgage rates and the wider cost-of-living crisis that has yet to materialise in 2023, according to our data. Among new customers, it's now the fourth most common reason, down from the third in 2022, and has remained the fifth most common use among drawdown customers, as well as falling from the second to the fourth most common use among those taking out further advances (with an attendant 4% reduction in terms of application volume). With most gifting being done to fund first-time home purchases, this could be linked to a cooling of the market as many wait and see whether residential mortgage rates are likely to fall.

These latest figures point both to the changeable nature of the market and to the diverse customer base the later life lending sector currently serves. While staples such as home improvements and debt repayments have remained popular, the rising consumer interest in things such as holidays demonstrates the wide array of lifetime mortgage uses and increasing customer confidence to use released funds for these means. On the flipside, we're also seeing a rise in people using their drawdown facility for day-to-day living expenses, highlighting the need for continued product innovation to ensure ongoing later life lending solutions that are able to meet a variety of circumstances and needs.

Delivering value in uncertain times

Ryan Medlock
Senior Investment Development Manager, Royal London

ROYAL LONDON

Uncertain times - an apt way to describe where we are right now, given the ongoing cost of living crisis, heightened market volatility and the recent regulatory changes heralded by the Consumer Duty and its focus on the pursuit of good customer outcomes.

And I think this is where the pertinent challenge of today lies for advice firms; articulating the value attributed to these good outcomes. If I was an adviser, I think I'd have been feeling a little fatigued by now from the relentless reminders to comply with the Consumer Duty. For most advice firms, telling you to put your clients at the centre of everything you do is preaching to the converted, but the key issue is how do you evidence that you put clients at the heart of your business? I think in that context, the Consumer Duty is more about the transparency of your decision making, rather than the need to implement additional processes.

The era of 'spikeflation'

In 2023, we've moved from the stagflation phase of the business cycle (where growth is falling but inflation is still rising) into this new phase which is being coined 'spikeflation'. This is categorised by periodic spikes in inflation caused by a range of structural drivers such as geopolitical risk and Government fiscal policy intervention.

A key question for advice firms is 'how robust are your products, services and processes against this particular backdrop'?

Last autumn, we saw a lot of switching activity in the market, including advised clients who cashed out and are possibly still in cash now. Why did they move? Perhaps it's a small fund or perhaps the client's ultra-cautious. There may be a number of valid reasons, but in many cases, it resulted from fear and emotion kicking in and going against the plan.

Guiding clients through volatility

Getting your clients to stick to their long-term plan can be something which allows you to demonstrate ongoing value and I'll use **this chart** to illustrate this point.

This is showing the last nine calendar years and is ranking different asset classes based on their annual performance numbers. There's a number of immediate conclusions to draw from this. The first is that it looks truly horrific and that's coming from someone who enjoys the visualisation of investment data! More importantly, it illustrates how hard it is to pick a winner.

Let's take 2020 as an example. It's hard to think that the beginning of Covid global lockdowns and era of panic buying toilet roll was over three years ago. But the macro conditions were very different then to what they are today. 2020 saw some of the wildest market volatility since the global financial crisis and was very much a disinflationary backdrop which benefited tech heavy global stocks. Government bonds also did well. The investments that didn't fare as well were those inflation-hedging assets such as commodities and commercial property. We saw a lot of switching activity in 2020 off the back of these short-term market moves and not just clients switching into cash. There was evidence of clients being switched out of broadly diversified multi-asset solutions into more basic global equity and government bond multi-asset solutions.

However, look what happened over 2021 and 2022. As inflation started to pick up, those inflation hedging assets rose towards the top of the pile as you'd expect, and the winners were those that lost in the short-term over 2020 during very specific conditions. In hindsight, you could argue that the smart thing would have been to remain broadly diversified, trust the process, and perhaps focus on engaging with clients around periods of heightened volatility.

In summary

Making changes to your clients' investment strategies off the back of short-term market fluctuations isn't part of the long-term plan, and that's particularly important in the context of having the right product, services, and processes in place to address your clients' needs front and centre. Secondly, supporting your clients around periods of market turbulence is an excellent way to demonstrate value because it ultimately improves their chances of success by getting them to stick with the long-term plan you've worked hard to put in place.

Finally, all of this highlights how the Consumer Duty principles, cross-cutting rules and detailed expectations of conduct go much further than simple tick-box compliance in delivering tangible value to your clients.

Find out more at **Pensions, investment & protection - Royal London for advisers**

This follows on from pages 12 - 17

BraveStarts: Customer Voice: **Not Ready to Retire** - New Opportunities

Lucy Standing
Co-Founder, BraveStarts

BraveStarts works with people 45-75, wanting to make changes to their typically full-time working existence, building careers to engage them as they get older. With over 600 members, over 2000 subscribers and more than 6000 over 50s taking part in our research, we've examined what this demographic want and need in their lives in order to age well.

They want a sense of purpose. Easy to say, but jobs don't come neatly wrapped up with a 'purpose' bow on top of them. Work is a reason to get up, a means for engaging our valuable brains, a chance to mix with different generations and form connections. But what one person finds purposeful is very different to another. Increasingly, people are leaving the corporate world to set up on their own and do something meaningful, but it can be quite 'lonely' and 'isolating.' With more of their peer group retiring, their networks can shrink, and this is what drives them to come to BraveStarts. They're looking for direction, connection, opportunities and work. So all we need now are employers willing and able to see this potential.

More than at any other time of life, we've got more value to offer at retirement age than in previous years or generations. In 1948 (when the 1946 National Insurance Act was rolled out) a 65-year-old could expect to reach an average age of 66. By comparison, in 2020, life expectancy reached 81. Retirees now have many more healthy years ahead of them. Many want (and need financially) to work for longer, but are bored with what they've always done. They want 'chances to learn new things,' and so all we need are employers willing and able to see this potential.

There's a theme here and it's about seeing retirees as they are now, rather than how they once were. We need to look holistically at how we can help them achieve the quality of life they deserve, and we're all responsible for playing our part. Organisations need to open their eyes to the opportunity presented by this demographic who want to give back and learn. And in the financial world, we need to recognise it's an opportunity we haven't even begun to realise.

www.bravestarts.com

This follows on from pages 12 - 17

Keylu: Customer Voice: **Holistic Life-Planning** for Retirement and Beyond

Ian Dibb
CEO, Keylu

Keylu

Life's complexities go far beyond loans and policies as we get older, and today's over 50s are very much focused on living life. It's important that services provide genuine value, minimising obstacles and allowing them to concentrate on the meaningful aspects of living.

Modern lives are a complex network of digital and physical documentation, posing challenges in the management of critical personal, legal, and financial data. This issue becomes more pronounced when essential documents become misplaced, resulting in stress and financial setbacks. In the United Kingdom, staggering figures of £37 billion in lost pension funds, £200 billion in unclaimed assets, and £230 billion in jeopardy for life insurance policies underscore the scale of this disarray. Given this chaotic landscape, it's hardly surprising that many individuals feel overwhelmed; astonishingly, one in four couples is unaware of each other's financial situations.

At Keylu, we're dedicated to ensuring immediate access to essential documents, as well as safeguarding the really important things like photos and videos. It's not just about storing information; it's about organising life and its memories, old and new, in a way that's accessible and meaningful.

The real importance of this became clear to me during a difficult chapter in my personal life. Losing my sister and mum within a span of just two years, I became committed to simplifying life's complexities not just for the grieving, but for everyone.

> In the United Kingdom, staggering figures of £37 billion in lost pension funds, £200 billion in unclaimed assets, and £230 billion in jeopardy for life insurance policies underscore the scale of this disarray.

What began as a project to offer solace during challenging times evolved into a simple solution for daily life management, giving people the time back to focus on the things that are truly important.

The over 50s demographic is astute and experienced and they want to feel empowered in managing their own legacy, and as professionals in the mortgage and protection sector, it's important that we support them in doing so. It's about providing a holistic life planning service that adds emotional and financial security to our clients' lives, and it's a responsibility that we all share, supporting them into retirement and beyond.

Keylu offers an innovative life-planning platform, designed to support customers who are in or approaching retirement, enabling advisers to offer holistic support and added value for their later life client base.

www.keylu.com

Get in touch

Industry Voice is shared with an audience of over 15,000 people in the UK mortgage and protection industry. We produce four editions a year and target an online audience of mortgage and insurance brokers, product providers, financial advisers and individuals with a vested interest in Industry Insight.

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