

# Capturing the imagination



Richard Eagling and Leanne Macardle report on the latest chapter in the equity release success story



Genuine success stories have been relatively hard to find in the financial services landscape in recent times, so the progress of the equity release sector makes for particularly pleasing reading. From the dark days of the late 1980s and the funding challenges posed by the 2008 financial crisis, equity release is a market truly transformed. Indeed, not only has it captured the imagination of elderly homeowners looking to access their property wealth, but it has also sparked more creative product designs and options from equity release providers.

#### Record-breaking growth

The popularity of equity release continues to surge, as more and more people realise the value of using their housing wealth to meet their financial needs. Lending records are surpassed on a seemingly monthly basis; according to the Equity Release Council, annual lending hit a record £3.06 billion in 2017, an increase of £909 million compared with a year earlier (£2.15 billion) and almost doubling in the space of two years, rising by 90% from £1.61 billion in 2015.

This trend looks set to continue, with the latest data suggesting the market could be on course to surpass all records once again in 2018, with total lending increasing to £870 million in Q1. This marks an increase of 25% from Q1 2017, and beats the previous quarterly record set in Q4 2017, when lending totalled £838 million.

The same pattern can be seen on a numerical basis, too, with customer numbers following a similarly heightened trajectory; data shows that the volume of new customers taking out equity release plans last year rose by a third on an annual basis (see **Figure 1**), while in Q1 2018, 10,195 new plans were taken out, an increase of 22% from Q1 2017.

Indeed, the greater demand for equity release has been such that growth in lifetime mortgage customer numbers in 2017 outpaced other areas of the mortgage market, such as first-time buyers, remortgagers and

homemovers, for a second successive year. “There has never been a better time to be involved in equity release,” says *Jason Ruse, Head of Key Partnerships*. “It is arguably the fastest-growing market in financial services; it is certainly the fastest growing mortgage finance sector.”

This rising demand also means that the ratio of new mortgage customers to new lifetime mortgage customers has continued to reduce, making it far more likely that advisers will encounter clients with a potential interest in equity release. According to the Equity Release Council, a decade ago there were 88 first-time buyers, remortgagers, homemovers and new or remortgaging buy-to-let borrowers in the market for every new lifetime mortgage customer. That number fell to 56 in 2012 and has since fallen again to 38 in 2017.

Given the recent sea-change in opinion towards equity release, it’s little wonder that lending activity is surging to such an extent. Indeed, Jason Ruse notes that “adviser and consumer awareness of equity release as an option has been one of the main drivers” of this impressive growth. “The evolution of the retirement income market with the introduction of pension freedoms in 2015 means more people are looking at their home as a retirement asset (and probably their biggest one) alongside their pension pot and personal savings, and they are starting to approach advisers to ask about how they can access that wealth for a more comfortable retirement.”

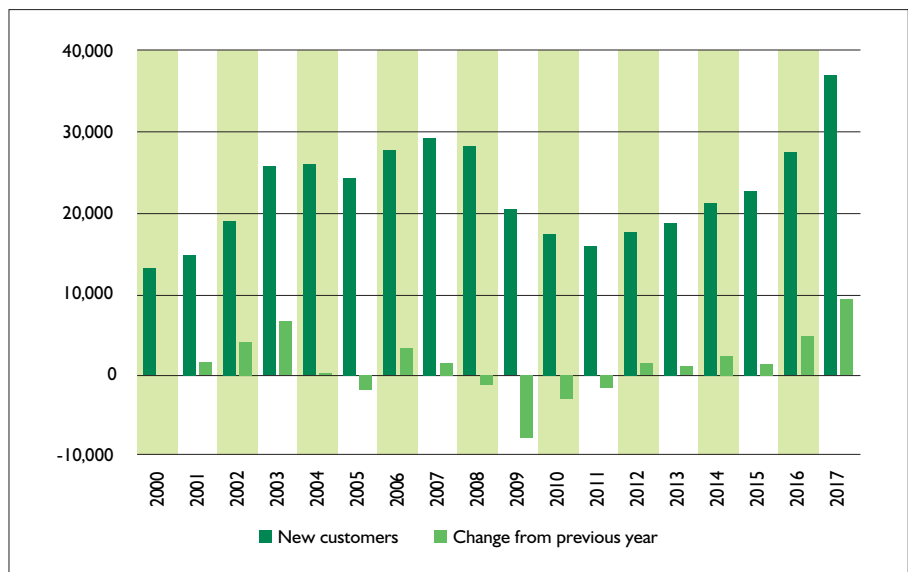
### A myriad of factors

One of the most exciting aspects of the equity release market is that this renewed interest can be attributed to a myriad of different demographic and economic factors, many of which are unlikely to weaken any time soon.

“We feel this growth is down to a variety of factors combining,” explains *Peter Borley, Director of Propositions – Retirement Lending at Just*. “These include: the ageing population, increased customer awareness and advocacy around equity release as a solution to support a secure retirement, the high housing wealth held by people aged 55+, increasing debt at retirement (in part due to maturing interest only mortgages), retirement income falling below expectations/requirements due to the demise of defined benefit schemes and insufficient replacement income from defined contribution schemes. Alongside this growth in demand for lifetime mortgages, new entrants and new products have led to increases in product options and available funding.”

The rise in product choice and innovation, and in particular the greater flexibility offered by many modern-day plans, has undoubtedly made the products themselves much more appealing and helped to overcome many of the traditional objections to equity release that have held the sector back. “Consumers discount equity release because they have the perception that interest rates are too high, that they will lose ownership of their home and that

Figure 1: New equity release customers 2000-2017 (Source: Equity Release Council)



they won’t be able to leave any inheritance for their children,” argues *Gary Webster, Head of Partnerships and Independent Equity Release Advisor at Equity Release Supermarket*. “The market has evolved to answer all of these concerns. Many products now have annual interest rates below 4%, which are aligned to lenders’ standard variable mortgage interest rates (SVRs), while home ownership is guaranteed with a lifetime mortgage and consumers are able to guarantee an inheritance. Moreover, the option to repay interest monthly will greatly increase the value of the estate, and as a member of the Equity Release Council, all the plans we advise on come with a no negative equity guarantee – which means a client’s children will never be left with a bill to pay.”

One area that’s often overlooked, but nonetheless continues to be a key driver in equity release activity, is the growing issue of debt in retirement. “Debt is increasing among older consumers as more and more people enter retirement carrying existing debt with them such as mortgages, credit cards and personal loans,” claims *Stuart Wilson, B2B Marketing Director at more 2 life*. “Our own research suggests that the total size of the retirement lending market (all secured and unsecured debt held by those aged 55+) is now £86 billion, and is set to increase to £142 billion by 2027. People are turning in ever-larger numbers to equity release as a way of managing that debt and creating a more comfortable retirement.”

That more recognisable names are entering the equity release space highlights the continued shift of this form of lending towards the mainstream, and is arguably causing more homeowners to consider it. “Household names such as Nationwide launching into the market has really raised the profile of lifetime mortgages, as has the fact that interest rates are competing more and more with standard mortgage rates,” adds *Paul Carter, CEO at Pure Retirement*.

It’s clear that no single aspect can take the credit for boosting the appeal of equity release; rather, it’s a perfect storm of factors combining to propel this form of lending further into the consciousness of older homeowners, many of whom could be seeking a source of income to supplement pension pots that may be smaller than they’d like. Yet according to the data, that isn’t all they’re spending their money on.

### Bank of Gran and Grandad?

Clients continue to use the funds released for a variety of reasons, but one of the most striking developments in recent years is the growing propensity towards gifting. This pattern has been highlighted by Key Retirement, with its Q1 Equity Release Market Monitor revealing that the proportion of homeowners using property wealth for gifting rose from 22% to 26% year-on-year, with 2,700 retirees opting to use some or all of the funds released to provide financial support to family members, be it for house deposits, school or university fees, debt repayments, holidays or even starting a business. “Certainly, there seem to be more and more consumers using equity release for intergenerational lending – think Bank of Mum and Dad (or Bank of Gran and Grandad for that matter!),” says Stuart Wilson. “These cash advances are helping children or grandchildren get on to the property ladder, repay student loans and enjoy a ‘living inheritance’.”

The traditional uses of equity release continue to reign supreme, however. “Paying off a mortgage or other debts and general home improvements are among the most common uses of funds within our customer base,” suggests Paul Carter. “The average age of our customers has also dropped in the last two years, indicating that people are considering their options for retirement earlier than before, becoming more aware of the need for something more than the traditional methods of funding retirement.”

“There are a number of new trends emerging, from clients using equity release to buy a new home (something many clients and even some advisers don’t realise you can do) to intergenerational lending and growing interest in how equity release could be used to help fund domiciliary care in the client’s own home,” adds Jason Ruse. “The market is continuing to evolve as more and more clients realise the flexibility that equity release can offer them.”

No doubt fuelled by the decline of defined benefit (DB) pensions and resulting smaller pension pots, retirees are increasingly realising the need to secure other sources of retirement income. Yet at the same time, they’re becoming increasingly comfortable with the prospect of using their housing wealth in this way, and it’s a trend seen across the market.

“We have seen an increase in customers using equity release to fund one-off expenditures, such as home improvements, holidays, or gifts to family,” says *Alice Watson, Head of Product and Marketing at Retirement Advantage Equity Release*. “But we’ve also seen an increase in those taking out equity release to support their day-to-day income. It shows a growing comfort with unlocking property value not as a last resort, but as part of a holistic approach to retirement planning.”

Peter Borley agrees: “As an industry we really need to dispel the common misconception that equity release is a product of last resort – we see many segments of customers attracted to equity release as part of holistic financial planning for retirement.”

#### More diverse product choice

Advisers too are increasingly aware of the need to take a holistic approach to financial planning that includes equity release, something which has been made easier by the more extensive range of equity release solutions now available. In less than two and a half years the number of lifetime mortgage deals has more than trebled, rising from just 53 in January 2016 to a record 164 today. As a result, equity release customers have never been better served by providers when it comes to product choice.

Equally impressive has been the creative thinking emerging from the equity release sector, with providers demonstrating a real desire to embrace new ideas and designs. The upshot of this is that equity release products have evolved considerably and now incorporate unprecedented levels of flexibility.

“A wave of product innovation has opened equity release up to more potential customers,” comments Alice Watson. “The growing range of options and features means that the sector is almost unrecognisable compared to just five years ago.”

This greater flexibility is increasingly being recognised by equity release customers, and nowhere is this more evident than in the

**Figure 2: Product options and features (Source: Equity Release Council)**

	% of total product options with this feature - Jan 2018
Voluntary/partial repayments	70%
Drawdown facilities	48%
Inheritance guarantee	49%
Fixed ERC	53%
Downsizing protection	42%
Sheltered/age restricted accommodation	41%
Interest payments	9%

#### Product data supplied by Key Retirement

continuing shift to drawdown products, enabling clients to take regular or ad hoc amounts up to an agreed limit. “More of our customers are opting for drawdown products, where they can take the funds they require as they need them, but choosing a bigger pot of funds to draw from which they can utilise as they see fit,” says Paul Carter.

“The growing range of equity release options and features means that the sector is almost unrecognisable compared to just five years ago.”

The latest figures from the Equity Release Council show that drawdown lifetime mortgages remain the most popular product choice, accounting for over two-thirds (68%) of new equity release sales. They also show that drawdown products see much smaller amounts of housing equity initially withdrawn compared to the more traditional lump sum lifetime mortgage plans, which makes sense given that drawdown products only incur interest on funds that are taken. In Q1 2018 new drawdown customers agreed an average initial instalment of £64,797 with a reserve facility of £38,934. This compares to an average size of £96,483 for a lump sum lifetime mortgage.

The extent to which customers are utilising the flexibility inherent in drawdown products can be seen by the fact that the number of existing customers returning to make withdrawals from their agreed reserves grew by 26% year-on-year in Q1 2018, from 6,019 to 7,588. Indeed, the Equity Release Council observes that returning customers made an average withdrawal of £11,453, with returning drawdowns accounting for 10% (£89 million) of lending activity overall. This dwarves the £15.9 million of lending in Q1 2018 via further advances, which was the lowest level seen since Q2 2016 (£15.2 million).

With so much demand for drawdown it is no surprise that almost half of products (48%) now offer drawdown facilities. However, drawdown is not the only new feature that has helped to transform the equity release market (see **Figure 2**). A number of other flexible features are also becoming more commonplace. These include:

- 1. Voluntary/partial repayments.** Over two-thirds (70%) of equity release product options now offer customers the choice to make voluntary ad hoc or regular repayments of their loan, typically up to 10% of the initial loan per year. “Flexible capital repayments allow clients to manage their debt by repaying some of the capital each year without penalty (within certain limits),” adds Stuart Wilson.
- 2. Inheritance guarantees.** Almost half (49%) of equity release products include an inheritance guarantee whereby customers can ring-fence a fixed percentage of their property value as a minimum inheritance to pass on to beneficiaries, regardless of the total interest accrued.
- 3. Fixed Early Repayment Charges (ERCs).** The last 12 months have seen an increase in products offering fixed ERCs based on a percentage of the initial loan, with over half of products (53%) now taking this approach. The fixed amount decreases on a sliding scale over a set period of time, at which stage the customer can repay the loan without an ERC.
- 4. Downsizing protection.** 42% of products provide downsizing protection that permits customers to repay their loan if they sell their home and move to a different property without incurring an ERC. Typically, this feature only applies after a qualifying period of five years. “Downsizing protection also allows clients to exit a plan without ERCs if they move to a home outside of their lender’s criteria, something which is an increasing source of complaints to the Ombudsman Service,” adds Stuart Wilson.
- 5. Sheltered/age restricted accommodation.** An increasing number of plans (41%) can now also be secured against sheltered or age restricted properties, subject to the provider’s specific criteria at the time.
- 6. Interest payments.** The ability to allow customers to make either full or partial monthly interest payments in order to reduce the interest being rolled up on the loan is another recent innovation, although

this is less common with only 9% of products currently offering this option.

### Recent product launches

If this wasn't enough innovation to contend with, Just Group has added a further option to the mix with the launch of a regular drawdown lifetime mortgage that enables Saga customers to receive a monthly payment. These customers aged 60-80 with properties worth at least £150,000 will be able to use the Saga Regular Drawdown Lifetime Mortgage to take an initial lump sum payment followed by ongoing monthly payments – all of which will be tax-free. The product is targeting elderly homeowners who need to top-up their monthly retirement income to pay domiciliary care fees or to supplement their pension. However, it is only available through the Saga Equity Release Advice Service.

Just Group's partnership with Saga is a further example of how there has been no let up in new equity release products coming to market over the last 12 months. Another particularly significant addition has been the launch of Retirement Advantage's Over 55 Buy-to-Let equity release range, which caters to landlords looking to release value from their portfolio properties.

"We've already had very positive feedback from advisers on the opportunity it gives to release value from a property while still receiving monthly rental income from it – particularly if someone is moving into care," explains Alice Watson. "Portfolio landlords have also been subject to stricter PRA lending checks since October last year, which the product is unaffected by, so we think there's big potential in this market."

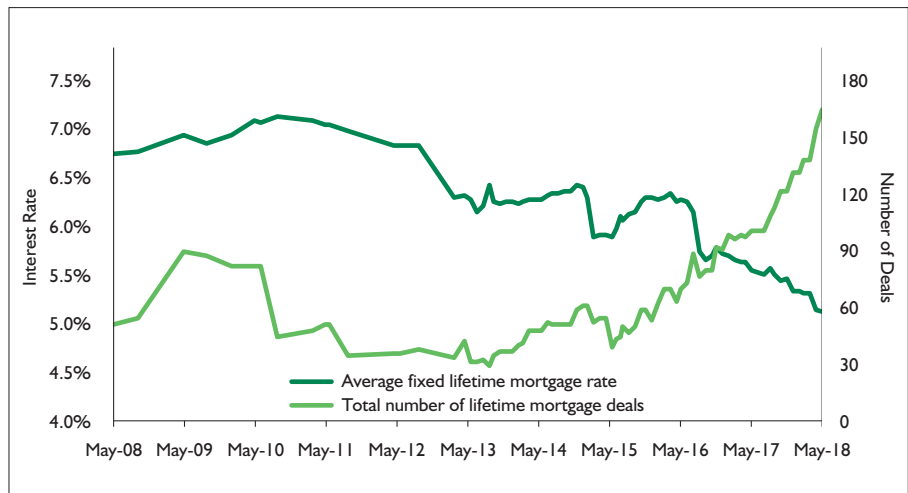
Meanwhile, rather than launching a completely new product range, other providers have been busy widening their existing propositions. For instance, more 2 life has recently added its Maximum Choice equity release product, that incorporates a multitude of flexible features, to its offerings.

"Maximum Choice is a fantastic addition to our 'Choice' product stable," says Stuart Wilson. "It offers a wide range of modern lending features such as flexible capital repayments, a guaranteed inheritance feature and a drawdown facility that allows sums as low as £500 to be taken. The plan is aimed at a wide range of clients, especially those looking for a flexible loan that can adapt to changing circumstances."

### Falling interest rates

The ability of the equity release market to break records also extends to lifetime mortgage interest rates, which have fallen to an all-time low. The average fixed lifetime mortgage rate has consistently decreased since December 2017, reducing from 5.45% to 5.12% in just six months. Furthermore, as the Equity Release Council points out in its Spring 2018 Market Report: "looking at average rates across all customers shows that the average equity release customer pays

Figure 3: Average fixed lifetime mortgage interest rate and total number of lifetime mortgage deals



notably less interest than the average product rate suggests: 4.44% in H2 2017."

Record low equity release interest rates have not only enhanced the product's appeal to new clients, but also created opportunities for existing customers looking to review their products and potentially switch to save money. Many historic deals look decidedly unfavourable compared with today's low rates. The extent to which lifetime mortgages are more competitively priced than ever before can be seen by the fact that two years ago the average fixed lifetime mortgage rate was 6.25%, while 8 years ago it was as high as 7.07%. By contrast, fixed lifetime mortgage rates are now below 4% in some cases.

"We actively encourage our clients to switch plans to take advantage of lower interest rates if it is in their best interests to do so," says Gary Webster. "As equity release is designed to be a lifetime product, many plans do have associated early repayment charges which can be substantial. So the adviser must assess the pros and cons of switching. If it is in the client's financial interest and fits with their future circumstances to switch plan, then this will always be our recommendation."

Interestingly, this cheaper cost comes at a time when many other forms of personal borrowing have increased in price, and has taken place against the backdrop of the Bank of England's decision to increase its base rate of interest to 0.5% in November 2017. "Largely this is down to increased competition in the equity release market, with more funders and lenders emerging which in turn has driven product innovation and helped bring down interest rates," explains Jason Ruse.

The impact of more intense competition on equity release interest rates can be seen in **Figure 3**, which tracks the average fixed lifetime mortgage interest rate against the total number of lifetime mortgage deals.

### More complex or clearer?

While greater product choice and more innovative features are to be welcomed, it

does raise the question as to whether it could overcomplicate the equity release market and make product selection more difficult. "There is always the danger that more options leads to more complexity, but we believe that many of the new features and innovations in this market have actually made equity release simpler and easier to understand for consumers," argues Jason Ruse. "For example, the introduction of Fixed Rate ERCs are far easier to explain than traditional gilt-based 'mark-to-market' charges and are more familiar to clients who have had a residential mortgage. We also believe the high levels of customer satisfaction in this market go to prove that, far from being confused, customers are delighted with their loans and the process they have been through."

Equity release products have already come a long way, but far from resting on its laurels the industry envisages further evolution. "I see product design, shape and features becoming a huge differentiator between products going forward, delivering options that will suit almost every customer circumstance, and which can be tailored to suit their individual and specific requirements," predicts Paul Carter.

The idea that the equity release market could ultimately move to more individually tailored products is a vision shared by other commentators. "We would like to see fewer standard products and more which are feature rich giving greater flexibility," says Peter Borley. "The customer supported by their adviser should be given the ability to customise their products to more appropriately meet their needs."

Speaking to equity release experts about the future of the sector, one theme is constant: that added flexibility is absolutely key to growing the market. "New products which expand the range of properties people can unlock value from are vital," argues Alice Watson. "But also, flexibility within products to make them more accessible is important – it gives more opportunities for those with particular needs to consider equity release. For example, our downsizing protection

means that a client who repays their loan within five years to move to a different property is exempt from Early Repayment Charges – which means people who want the option of moving don't need to rule equity release out."

While truly bespoke equity release products are still some way off, there are other more urgent gaps for equity release providers to fill. "The industry needs to develop solutions for older homeowners that now need to repay their interest-only mortgages," suggests Gary Webster. "The re-emergence of retirement interest-only mortgages could be a solution for some, but not for those who cannot afford to make regular monthly interest payments and so do not meet the lender's criteria. The Retirement Advantage range of products is designed to meet the needs of maturing interest-only borrowers, as is the recent Optional Payment Lifetime Mortgage from Legal and General. Innovation that would help customers in the 55-65 age group would be an increase in loan to property value, and we look forward to welcoming hybrid mortgage products that bridge the gap between a traditional residential and lifetime mortgage."

#### Adviser support and training

If the impressive features inherent in modern day lifetime mortgages holds the key to driving the equity release sector forward, then it is imperative that adviser understanding keeps pace. Robust advice standards will only be maintained if advisers fully understand how many of these new options work. Thankfully, providers have upped the ante by offering greater adviser support, including equity release exam training.

"We've launched a series of nationwide exam workshops, which give advisers the training needed for the equity release qualification exam," points out Alice Watson. "The response has been overwhelming – the first round of workshops in March filled capacity so quickly that we've announced a second series this summer to meet demand. In addition, we're also organising a series of Lead Generation workshops for those already qualified to offer equity release, showing them how they can make the most of business opportunities in their area."

This desire to help advisers maximise equity release opportunities is also evident among some other providers. "We are committed to supporting advisers experienced in the lifetime market and those who are keen to enter it," says Peter Borley. "In addition to producing appropriate literature we offer support to advisers in a variety of ways. For advisers, in or entering the market, we have a CPD-accredited ER academy, which is designed to help them get the ER1 qualification as well as providing ideas and guidance to help them develop their business. We also have a referral service for those advisers who aren't qualified to provide ER advice. This is a great way for them to test the potential for equity release before committing to getting qualified."

## Do we need more equity release advisers?

Three leading equity release experts share their thoughts on whether there is still a need to encourage more advisers to get involved in equity release advice.



Absolutely. We talk about how important product innovation is to making equity release accessible to customers – but given equity release has to be bought through advisers, making sure as many as possible are qualified and active in offering it is just as vital. And as a booming market, it represents a huge opportunity for advisers too. There's a real need to demonstrate to advisers just how much potential home finance has as a revenue stream for them, to support more advisers to get newly qualified, and help those already trained make the most of their qualifications.

**Alice Watson, Head of Product and Marketing, Retirement Advantage Equity Release**



Yes, as the customer demand could well outstrip capacity. Engagement tools such as our educational webinar series and face-to-face roadshows are all designed to bring new advisers into the market. We're strong supporters of the Equity Release Council in driving forward adviser engagement, and continuing to provide ongoing support for them once they have entered the market. There is a huge amount of support available, with lenders and clubs alike offering increasing adviser support over the last two years, but I am sure that as an industry we could be doing more.

**Paul Carter, CEO, Pure Retirement**



Yes, this market needs greater distribution power in order to sustain its current rate of growth. We need more advisers specialising in retirement lending but also more advisers referring their clients to those specialists. There's lots that can be done and we are playing our own part in that with education programmes such as CII-accredited webinars to help bring more advisers to this market and get them more familiar with the product and how it works. We are also helping advisers to identify suitable clients with online tools and calculators, improving the quality of leads they submit to us and increasing the likelihood that we will be able to help those clients with the lending they need.

**Jason Ruse, Head of Key Partnerships**

Demand from advisers for expert independent equity release referral services is already on the rise. Key Partnerships has reported that adviser referral enquiries are up by 46% while adviser registrations for its referral service have increased 73% year-on-year.

"Some advisers are looking to get into this market to offer the advice themselves, but we are also seeing unprecedented levels of advisers registering with us to use our referral service because they recognise the 'win-win' for them and their clients," comments Jason Ruse. "With enquiries and registrations at record levels, we are finding that more and more advisers want to talk to us about the advantages of referring. The simplicity of the process – all we need are the client's name and contact details – together with the comfort of referring their client to the UK's leading provider of equity release advice are the most attractive features. And with an average payaway to our partners of £1,341 for every completed case last year, it makes great financial sense for advisers looking to generate additional income streams."

#### Retirement interest-only mortgages

One particularly relevant topic of late is the FCA's reclassification of retirement interest-only mortgages (RIOMs), opening up the

sector to borrowers already on interest-only deals who may have limited means to repay the capital. Rather than having to switch to a repayment arrangement or find the thousands of pounds needed to repay the loan, they can continue (subject to usual affordability assessments) to operate on an interest-only basis, with the capital repaid on sale of the property on death or on the individual moving into long-term care.

In some senses it's a similar arrangement to equity release, and raises questions over whether the sector will be impacted as a result. Yet by all accounts, it appears that any fears are as yet unfounded, with the industry reacting in a largely positive manner to the FCA's changes.

"New product innovation is to be welcomed and encouraged," says Stuart Wilson. "Customers in retirement need more options to help them manage existing debt, especially existing interest-only mortgage debt. RIOMs will no doubt play an important part in the future growth and success of the overall retirement lending market."

In many respects, the greater flexibility and protection offered by lifetime mortgages should still set them apart from RIOMs. "A

wider choice of product options can only be a good thing for the end customer, and we don't anticipate retirement interest-only mortgages having a negative impact on the equity release sector," says Alice Watson. "While RIOMs do have similarities to some equity release products, the compulsory monthly repayment of the former makes it a different proposition to many of the most popular equity release products, where there is no compulsory monthly repayment and the interest 'rolls up'."

This in itself highlights the key difference between the two products, and is what separates RIOMs from equity release – and if anything, it means that equity release could prove to be the more preferable option. "The key difference with a RIOM is that a customer must be able to prove that they can afford interest payments for the rest of their lives and if they default their home is at risk of repossession," explains Peter Borley. "The lifetime mortgage, however, gives the customer the security that they can service interest either through fee-free early repayments or a product with interest serviced features, but they can stop at any time without fear of loss of home."

Ultimately, however, it could take time before we see the true impact of RIOMs on the equity release sector, but that impact isn't expected to be negative. "As the FCA only relaxed the rules enabling RIOMs to re-enter the market in March, it is very early days for this product, and we look forward to its evolution," says Gary Webster. "We see RIOMs as very complementary to equity release."

Paul Carter agrees, and doesn't anticipate equity release losing its dominance. "More and more people will look at the benefits of both options to see which suits them best," he says, "and many will favour equity release as the solution which best meets their needs."

### Facing the challenges

Despite such strong growth thus far, challenges remain for the equity release sector, particularly if the industry wants to completely shake the negative connotations that previously plagued it and appeal to a broader range of homeowners – and a lot of that comes down to education.

"There are still some misconceptions about equity release and how it works, so better education programmes and more assistance from Government and the regulator to help signpost equity release as an option for those in or approaching retirement would be helpful," said Jason Ruse. "The market has come a long way in recent years with more marketing, TV advertising and generally more favourable coverage in consumer and trade press. As an industry, we need to continue to evolve and improve our storytelling to help bring equity release to life and help more consumers understand how it might work for them."

## Can equity release maintain its momentum?

Three leading experts consider whether the equity release success story will continue.



We have had six consecutive years now of double-digit growth in the equity release market, and last year saw the total amount released jump by 40% compared to 2016. It would seem incredible to think we could continue at that level of growth, but right now there seems little sign of the market slowing down and we have already seen a record start to 2018, building on what was already a record year for the market in 2017. We fully expect 2018 to be another record year. More 2 life has already brought new funding to this market in 2018 and we expect other lenders will do the same, so we can expect to see further product launches and innovation as the year unfolds.

**Stuart Wilson, B2B Marketing Director, more 2 life**



Due to the structural nature of the reasons for the recent market growth, we believe the market will continue to grow and forecast a 25% annual growth rate taking the market to £6.6 billion by 2021. We are very excited about the equity release market's potential, over the next 12 months and beyond. We're expecting continued growth, more competition and more product options. We feel passionately that every retiree should be made aware that the equity in their home is an asset that they can use to help to secure a more fulfilling retirement. Homeowners have worked hard all of their lives to purchase their home and they should be able to enjoy the benefit of this hard work in retirement.

**Peter Borley, Director of Propositions – Retirement Lending, Just**



The market has come a long way, with customer numbers doubling in the last five years and the product range increasing by 25% year-on-year. We see this story continuing as more older homeowners realise that their likely most successful investment – their home – could be the ideal vehicle to help them financially in later life. Moreover, more high street financial services brands are entering the market which is continually driving product innovation. This is giving consumers more choice and plans are being tailored to give greater flexibility than ever before.

**Gary Webster, Head of Partnerships, Equity Release Supermarket**

For Stuart Wilson, a lot hinges on innovation and improving distribution channels, which could open up the equity release sector even more. "We certainly need more product innovation, which in turn hinges on more lenders bringing new funding to this market," he says. "Another potential barrier is distribution. Currently, around 500 advisers or so are responsible for most of the loans completed each year; there is a growing number of intermediaries who are referring customers to these specialists and that is to be welcomed, but we will need more advisers to specialise in retirement lending in order to sustain the growth in this market and satisfy consumer demand."

Yet these challenges aren't expected to derail the continued growth of the sector. The industry appears willing and ready to tackle those challenges head-on, raising expectations for another record year.

### Happy ever after?

While it is still too early to say whether the equity release story will ultimately have a fairytale ending and fulfil its true potential, all of the current signs point to an exciting next chapter for the sector. Indeed, 2018 is shaping up to be another positive year, with strong growth already being reported.

"Equity release is without doubt the most innovative and vibrant financial services market at the moment, and it is constantly evolving as new entrants join," says Gary Webster. "It is fast becoming a mainstream product and an option that consumers are increasingly considering to financially support their later lives."

It's this growing awareness among consumers, not to mention the increasing realisation that many have insufficient pension pots, that should serve the sector well going forward. "People aren't saving enough for the monthly income they anticipate they will need in retirement," concludes Alice Watson. "At the same time, younger generations are much more comfortable with the idea of drawing on property wealth in retirement. If current saving trends continue, drawing on housing equity might be the most effective way of bridging the retirement savings gap for many people. As such, I think equity release is likely to carry on growing. We're confident on the evidence of the first quarter of this year that we're going to see continued strong growth. Indeed, we anticipate that the industry could be on track for its first billion-pound quarter, which would put the sector on course for its third year running of record lending."