

More than just a home: Exploring the role of equity release

By

Louise Elizabeth Overton

A thesis submitted to the University of Birmingham for the degree of
Doctor of Philosophy

School of Social Policy
College of Social Sciences
The University of Birmingham
September 2011

UNIVERSITY OF
BIRMINGHAM

University of Birmingham Research Archive

e-theses repository

This unpublished thesis/dissertation is copyright of the author and/or third parties. The intellectual property rights of the author or third parties in respect of this work are as defined by The Copyright Designs and Patents Act 1988 or as modified by any successor legislation.

Any use made of information contained in this thesis/dissertation must be in accordance with that legislation and must be properly acknowledged. Further distribution or reproduction in any format is prohibited without the permission of the copyright holder.

ABSTRACT

Asset-based approaches to welfare may be seen as part of a broader trend towards individual responsibility and private provision. With pressures on pension systems and the concentration of wealth in owner-occupied housing, there is debate about the potential of equity release as a source of funding in later life. However, very little is known about the role that it plays in practice.

Using a mixed methods approach, this thesis fills that gap by exploring older people's use of equity release products and finds that they play a limited role in meeting income needs as so few people use them. Among those that do, they play different roles for different groups and make an important difference to the living standards of those with middle incomes and medium to high levels of housing wealth. However, they make less of a difference to home owners with lower incomes and more limited housing assets.

The research concludes that equity release has the potential to provide financial security but questions whether it can really function as an adequate safety net for those in need. Governments have encouraged people to accumulate housing assets partly so that they can be more self-reliant, yet have done little to help them decumulate their assets. It is suggested that governments could do more to make equity release more accessible to those at the lower end of the income and housing wealth distribution, but this should not be at the expense of asset-excluded groups.

ACKNOWLEDGEMENTS

There are many people who have helped and supported me during this study and my thanks go to all of them. I would particularly like to thank Professor Karen Rowlingson and Professor John Doling for giving me the opportunity to do this research in the first place, and for their help, guidance and encouragement throughout the process.

I would also like to thank the Economic and Social Research Council and Age UK for sponsoring the research. My particular thanks go to Jane Vass at Age UK, and to Andrea Rozario at SHIP for facilitating the fieldwork. Special thanks also go to the respondents who gave up their time to take part; the research would not have been possible without them.

I would also like to thank my postgraduate colleagues for their support, in particular, Lucy, Kate, Bev, Clive and Sam.

Finally, I want to say thank you to my partner for putting up with me, and to my Mum and Dad for supporting me in so many ways during the last few years. Getting to this stage would have been almost impossible without everything they have done for me. I can't thank them enough.

CONTENTS

1	INTRODUCTION	1
1.1	Housing and welfare	1
1.2	The research	7
1.3	Thesis outline	10
2	FROM COLLECTIVE WELFARE PROVISION TO ASSET-BASED WELFARE.....	13
2.1	Introduction	13
2.2	Pressures on the welfare state.....	15
2.3	From collective welfare provision to personal asset-holding	31
2.4	Assets and inequality	39
2.5	Summary	44
3	USING HOUSING ASSETS TO FUND RETIREMENT	46
3.1	Introduction	46
3.2	The growth of home ownership and housing wealth	47
3.3	Why is housing wealth relevant to pensions?.....	51
3.4	How can housing assets be used to fund retirement?.....	56
3.5	What are the barriers to using housing assets to fund retirement?.....	58
3.6	Summary	82
4	METHODOLOGY	85
4.1	Introduction	85
4.2	Mixed methods as ontologically and epistemologically viable	86
4.3	The rationale for mixing methods.....	89
4.4	Phase 1 - Quantitative research	92
4.5	Phase 2 – Qualitative research.....	103
4.6	Summary	110
5	WHAT IS EQUITY RELEASE AND HOW WIDESPREAD IS ITS USE?	112
5.1	Introduction	112
5.2	What is equity release?	113
5.3	The UK equity release market.....	116
5.4	Comparisons with other countries.....	133
5.5	Summary	143

6	USING EQUITY RELEASE PRODUCTS.....	146
6.1	Introduction	146
6.2	Participant characteristics	147
6.3	Using the money from equity release plans	161
6.4	Using equity release plans to access housing wealth	188
6.5	Summary	191
7	ATTITUDES TO EQUITY RELEASE.....	194
7.1	Introduction	194
7.2	Using the value of the home	195
7.3	Inheritance	199
7.4	The importance of home owner identity	203
7.5	Responsibility for financial security in retirement	205
7.6	Making financial provision for retirement	208
7.7	Equity release and the role of government	209
7.8	Satisfaction and dissatisfaction with equity release plans.....	212
7.9	Summary	221
8	EQUITY RELEASE: WHAT ROLE DOES IT PLAY? WHAT ROLE COULD IT PLAY?.....	223
8.1	Introduction	223
8.2	Summary of the findings	224
8.3	The implications of the findings for the role of equity release products in relation to welfare 231	
8.4	Issues arising from the study and suggestions for future research	249
	REFERENCES	253
	APPENDICES	272

List of Figures

Figure 2.1 Total fertility rate ¹ (England and Wales)	22
Figure 2.2 Old age dependency ratio ^{1,2}	23
Figure 2.3 Total net wealth, 2006-08, GB, (£)	41
Figure 3.1 Home ownership in the UK, 1981-2005	48
Figure 3.2 Average UK house prices: 1952-2009 (£)	49
Figure 3.3 Net wealth of households in Great Britain by asset type, £billion, 06/08	50
Figure 3.4 Gini coefficients for equivalised disposable income before housing costs (BHC) of retired households ¹ (%)	55
Figure 3.5 The unequal distribution of housing wealth (£)	59
Figure 3.6 Distribution of net household property wealth ¹ by age of household head, 2006/08 (£)...	60
Figure 3.7 Distribution of net household property wealth ¹ by region, 2006/08	61
Figure 3.8 Percentage of GB population who are owner occupiers by age in the years 98/99, 02/03 and 07/08	64
Figure 3.9 Willingness to use home to fund retirement, by annual household income (%)	75
Figure 3.10 Feelings about owning a home among owner occupiers (%)	77
Figure 3.11 Agreement with view that equity release schemes provide poor value for money, 2006 and 2009	79
Figure 3.12 Importance of leaving an inheritance by age (%)	81
Figure 5.1 Annual equity release sales by SHIP members from 1995-2007 (£million)	127
Figure 6.1 Industry data on the ways in which customers make use of their equity release money.	163
Figure 7.1 Homeowners shouldn't have to use the value of their homes to supplement retirement income (%)	196
Figure 7.2 Importance of leaving money or property as an inheritance among equity release survey participants (%)	199
Figure 7.3 Importance of leaving money or property as an inheritance among potential bequeathers in the general population (%)	200
Figure 7.4 Who should mainly be responsible for ensuring people have enough money to live on in retirement, by income (%)	206
Figure 7.5 Investing in property is a better way to make financial provision for retirement than paying into a pension (%)	209
Figure 7.6 Participant's reports on how satisfied or dissatisfied they were with different aspects of their equity release plans (%)	213
Figure 7.7 Whether participants would or would not make the same decision about entering into an equity release plan today (%)	215

List of Tables

Table 3.1 Distribution of the UK's housing wealth by age, 2009 (£bn).....	51
Table 3.2 Current full amount of Basic State Pension (BSP) and projected future amounts ¹	53
Table 3.3 Household wealth for 55-64 year olds by housing tenure, GB 2006-08 (£000S)	62
Table 3.4 Views on who should mainly be responsible for ensuring people have enough to live on in retirement, by household income.....	72
Table 3.5 Views on who should mainly be responsible for ensuring people have enough to live on in retirement, by level of savings.	73
Table 3.6 Views on using housing equity to help fund retirement, 2006 and 2009	78
Table 4.1 Research questions and the methods used to answer them	90
Table 4.2 Survey response rates	99
Table 4.3 Interviewee profile	105
Table 4.4 Interviewee details	106
Table 5.1 Product history	115
Table 5.2 Maximum lump sum available to a 71 year old with a house value of £150,000	121
Table 5.3 Maximum sum available via a home reversion for men and women age 71 years with a house value of £150,000	125
Table 5.4 Equity release arrangement fees.....	126
Table 5.5 New business released by SHIP members (£million)	128
Table 5.6 Number of SHIP-compliant equity release plans	128
Table 5.7 EU providers of Equity release products	134
Table 5.8 Age-related HECM and lifetime mortgage payments	137
Table 5.9 Number of US HECM loans issued between 2001 and 2010.....	138
Table 5.10 Interest rates on reverse mortgages provided by HomeEquity Bank in Canada	140
Table 5.11 Number and value of outstanding Australian SEQUAL-compliant reverse mortgages.....	142
Table 6.1 Participant characteristics	152
Table 6.2 Income and sources of income.....	153
Table 6.3 Comparison of annual household income between survey participants and all home owners aged 65+	155
Table 6.4 House values.....	159
Table 6.5 House value by household income (column percentages)	159
Table 6.6 Income and housing wealth combined (column percentages)	160
Table 6.7 Ways in which participants made use of their equity release money ¹	162
Table 6.8 The role of equity release for participants in Clusters 1, 2 and 3	184
Table 6.9 Socio-economic characteristics of participants in Clusters 1, 2 and 3 (column percentages)	185
Table 6.10 Clusters by number of uses for released equity (column percentages).....	186
Table 6.11 Reasons for using an equity release plan to access housing wealth.....	191
Table 6.12 Reason for using an equity release plan to access housing wealth by Clusters 1, 2 and 3.....	191
Table 7.1 Importance of inheritance reported by participants in Davey's 1995 study	200
Table 7.2 Attitudes to inheritance by Clusters 1, 2 and 3 (column percentages).....	202
Table 7.3 Attitudes to using the value of the home in retirement by Clusters 1, 2 and 3 (%).....	207

Table 7.4 Attitudes to responsibility for income in retirement by Clusters 1, 2 and 3 (%)..... 207

Table 7.5 Whether participants would or would not make the same decision about entering into a
plan today by when plan was taken out (column percentages) 216

1 INTRODUCTION

1.1 Housing and welfare

Debates about the significance of housing as a financial asset and its contribution to meeting people's income needs are relatively recent. Indeed in the 19th century, housing-related policies were primarily concerned with meeting physical needs due to concerns with overcrowding and unsanitary conditions in urban slums (Rowlingson and McKay, 2011 forthcoming). However, public health legislation did little to reduce housing shortages for the poor (Mullins and Murie, 2006a).

By the 1880s, policy had started to shift towards enabling those on low incomes to afford decent homes (Rowlingson and McKay, 2011 forthcoming) but significant reform was not achieved until the inter-war and post-war periods, when extensive house building in both the public and private sector took place (Mullins and Murie, 2006a). Historically, then, housing can be seen as having a direct impact on living standards (Doling and Ronald, 2010).

From 1979 onwards, housing policy moved away from a needs-based approach towards extending home ownership and the role of the market (Mullins and Murie, 2006b, Malpass, 2005). Although government support for home ownership dates back to the early 1950s (Malpass, 2005), it became the dominant theme of housing policy during the 1980s. The sale of council houses under the Right to Buy Act (1980) led to significant growth in this sector and a rapid decline in public housing. Owner occupation grew from 55 per cent in 1979 to 67 per cent in 1997 while the overall stock of council houses fell by 12 per cent between

1979 and 1985 (Forrest and Murie, 1988). By 2001, just 14 per cent of households in England lived in council housing (Quilgars and Jones, 2007).

This shift towards home ownership reflected a broader trend towards personal asset-holding initiated by the Conservative government during the 1980s where levels of entitlement to the state pension were reduced and the accumulation of private pension assets was encouraged instead. Various industries were also privatised and tax-privileged savings accounts were introduced as part of a move towards individual asset ownership.

This transfer of assets, particularly housing assets, proved to be electorally popular. Research shows that home ownership remains the tenure of choice (CML, 2004; Smith, 2002; Taylor, 2011) and its popularity has almost certainly provided some of the impetus for government support in this area. Through various mechanisms including tax-based incentives, the de-regulation of the mortgage lending sector, Income Support for Mortgage Interest (ISMI), shared ownership schemes and the sale of council houses, successive post-war governments have sought to increase the number of home owners (Malpass, 2005; Quilgars and Jones, 2007; Rowlingson and Mckay, 2011 forthcoming).

By the end of 2004, approximately 2.3 million homes had been added to the owner-occupied sector and the home ownership rate had increased by over 10 percentage points. This increase had been largely driven by the Right to Buy policy (Williams, 2007). In 2005, New Labour stated that it wanted to create a further one million home owners (Brown, 2005) and set the target of a 75 per cent home ownership rate (Office of the Deputy Prime Minister and HM Treasury, 2005). The current Coalition government is also continuing with many of the measures implemented by the previous government to promote and sustain home

ownership (Rowlingson and McKay, 2011 forthcoming) stating that it is: *'Committed to increasing housing supply and helping those who aspire to own their own home to do so...we estimate 1.4 million households, renting in the private sector or social sector, aspire to own but cannot'* (Communities and Local Government website, accessed 26th August 2011).

While the popularity of home ownership may have played a part in these efforts, it would be wrong to argue that appealing to people's aspirations has been the only or even primary motive behind such explicit support. As Maxwell (2005, p.5) comments: *'If we replace houses with sports cars: using aspirations to justify subsidies, shared ownership and a promise to increase the number of owners by one million would be patently absurd'*.

Undoubtedly, then, the promotion of home ownership has been driven by a variety of factors and certainly for the Conservative government of the 1980s there was an ideological preference for expanding home ownership as part of its approach to a property owning democracy and popular capitalism (Mullins and Murie, 2006b).

Economic considerations have also played a part. Following the oil price rises in 1973 and the recession that followed, public expenditure as a whole came under pressure and came to be seen as a burden on the economy. But from the mid-1970s onwards, housing was the main target for cuts in public expenditure (Malpass, 2005). However later cuts, as Malpass (2005, p.106) argues, were part of *'a dual strategy that included a planned shift to a more market based housing system'*.

The move away from public housing towards owner-occupation has therefore been driven by economic imperatives but also deliberate attempts to restructure the welfare state in line with an ideological preference for individual and market based provision. Attempts to roll

back the state were rigorously pursued during the 1980s under the leadership of Margaret Thatcher and in the USA by Ronald Regan. But successive governments in the UK and elsewhere have largely continued with this shift or at least prioritised welfare retrenchment and economic competitiveness over the traditional social democratic concern with expansion of direct state provision.

The decline in the collective ownership of wealth in other areas and the rise in personal asset ownership can also be seen as part of the restructuring of welfare states where individuals are encouraged to take more responsibility for promoting their own welfare. By saving and investing in financial products that increase in value over time, individuals can, and indeed have been encouraged, to use these assets to meet their own needs rather than relying on the state (Doling and Ronald, 2010).

According to a number of commentators, these broader welfare state changes have played a significant part in altering the role and relevance of housing in relation to welfare (for example, Groves et al, 2007; Jarvis, 2008; Malpass, 2008; Smith et al, 2007; 2008a). While housing was once aimed at eliminating squalor (Beveridge, 1943), its position in relation to the welfare state is now more complex. But as Doling and Ronald (2010, p.166) argue, housing has always been: *'a complex welfare good that supplements and mediates the flow of other welfare goods and services at the household level making individuals more or less dependent on the state, market and family for the satisfaction of other needs'*.

However, policy changes that have encouraged (or even coerced) people to rely on their own resources mean that this complex role has been strengthened. Public housing may therefore be seen as the wobbly pillar under the welfare state (Torgersen, 1987) but owner-

occupied housing and its related wealth can arguably be seen as a cornerstone (Malpass, 2008). Via housing asset decumulation, for example, home ownership has the potential to provide financial security and independence (Groves et al, 2007).

In theory, there are a number of ways in which home owners can access housing wealth. They can trade down by moving to a cheaper property or into rental accommodation. They may also be able to use a financial product that allows them to access the equity tied up in their homes. Indeed financial de-regulation and product innovation have increased the fungibility of housing assets in the UK so that households can now use a variety of methods to access housing wealth without having to move (Smith et al, 2008). Among them are equity withdrawal products which are usually aimed at households who already have a mortgage. By re-mortgaging or taking out further advances, the mortgage increases in size which provides the borrower with a lump sum whilst altering the existing repayment arrangements (Doling and Overton, 2010; Smith, 2005).

There are also products aimed specifically at older people. In contrast to mortgage equity withdrawal products these are aimed at outright owners or those with only small mortgages. Different types of equity release products are available in the UK but they essentially provide older home owners with a lump sum or an income without having to move house and without the need to make repayments during their lifetime. The financial institution providing the funds is repaid after the house is sold; usually upon the death of the owner.

There is some empirical evidence to suggest that housing assets, in practice, as well as in theory, play an increasingly complex and central role in the everyday financial affairs of households. Through Mortgage Equity Withdrawal (MEW), Smith et al (2007;2008a) show

that housing wealth seems to have an insurance, as well as an investment, dimension as many of the participants in their studies were using the value of the home to manage financial risks and meet welfare needs.

There is also interest in the welfare role of home ownership in later life. Indeed with pressures on pension systems, older people are being encouraged to rely on their own resources and this is where housing wealth is seen as having a potential role to play. In 2006, it was estimated that British homeowners over the age of 60 held £1,000 billion of unmortgaged equity (Holmans, 2008). Although the recent economic and financial crisis has had a downward impact on house prices, housing still represents a significant financial resource and remains the single largest household asset (Pensions Policy Institute, 2009a; 2010).

Previous research has considered the contribution that this wealth might make to the income needs of older people via economic analyses (for example, Doling, 2009; Hancock, 2000; Pensions Policy Institute, 2009a; Pensions Commission, 2004; 2005, Sodha, 2005) and it has also looked at people's attitudes towards housing assets and how they might feel about using them to fund retirement (for example Jones et al, 2010; Rowlingson, 2006; Smith, 2004). However, less is known about how and why older people are using the value of their homes. Questions such as who releases housing equity and for what purpose are therefore underexplored.

This is surprising given the changes in pension and welfare landscapes meaning that older people may have to use the value of their homes to provide financial security. If so, this is a significant shift not least because it has inequality implications. While home ownership is

now the majority tenure in the UK, about 20 per cent of older people do not own their own homes (Curry, 2010). There are also significant inequalities in the distribution of housing wealth among owner occupiers (Office for National Statistics, 2009). Thus, if financial security and access to decent welfare goods and services are increasingly dependent on private means, including the wealth stored in owner occupied housing, the security of those without access to these resources will be (further) compromised. There are also potential risks involved with relying on the market to meet welfare needs and those with fewer resources are least likely to be equipped to deal with these.

There is some evidence on the direct experiences of older home owners who have used equity release products (Davey, 1996; Fleiss, 1985; Leather and Wheeler, 1988) but gaps in our knowledge remain partly because these studies are now dated and were carried out in different socio-economic and political contexts. Therefore the people using them and the reasons why they do so might have changed. More people might be turning to equity release out of necessity but increased expectations for retirement could also mean that people are increasingly willing to use their housing wealth to make the most of later life.

1.2 The research

The aim of this thesis is to address this gap by examining the existing and potential role of equity release products in relation to welfare. In contrast to much of the existing research on housing and retirement funding, it places emphasis on the role of equity release in practice by exploring older people's use of, and attitudes to, equity release products.

The main research question that the thesis seeks to answer is **what role do equity release products play?** In doing so, it considers the extent to which the products are used and by

whom; what they are used for and how people feel about using them. The thesis also looks at how the role of equity release may have changed by drawing comparisons with the last major academic study in this area carried out in 1995 (Davey, 1996). Finally, consideration is given to what these findings might mean for pensions and the opportunities and limitations of housing asset-based welfare.

The following sub-questions are therefore also relevant:

- a) What is equity release and how widespread is its use?
- b) What kinds of older people use equity release products, why do they do so and how do they feel about using them?
- c) How, if at all, has this changed over time?
- d) What are the implications of these findings for the role of equity release products in relation to welfare?

With pension reform still high on the social and political agenda and the recent recession adding to the financial difficulties that some pensioners face, housing and welfare are key policy issues. This study is therefore timely and of wide relevance given that many of the factors underpinning interest in housing asset use in later life are not confined to the UK. Home ownership is also the majority tenure in other liberal regime countries (USA, Australia, New Zealand and Canada) and in the EU (with the exception of Germany). To a greater or lesser extent, fiscal and ideological pressures on welfare states have also been experienced in other western economies and EU member states. Thus, while this is not a comparative study, where appropriate, reference to other countries is made throughout the thesis.

1.2.1 Research methods

Compared with formal mortgage users, there is very little published data on users of lifetime mortgages and other equity release products. SHIP (Safe Home Income Plans), the UK trade body for equity release, provides the only centralised source of information on the scale of the market for different types of products. It represents the majority of the regulated market (approximately 84 per cent) and therefore provides the best indication we have of the extent to which equity release products are used. This source of information was therefore drawn on to answer sub-question a) what is equity release and how widespread is its use?

With the exception of a limited amount of publicly available industry data, there is very little up-to-date information on the characteristics of equity release customers, why they use the products and what they do with the money. It was therefore necessary to carry out empirical research to answer the remaining questions. Given the nature of these questions the study used a mixed methods approach combining a survey of just over 550 equity release customers with 26 follow-up, semi-structured, interviews. The main aim of the survey was to obtain a profile of equity release customers, their reasons for using the products and their attitudes towards them while more detailed exploration of the quantitative findings took place via the interviews. The interviews also provided the opportunity to obtain a better understanding of the factors that underpinned participants use of, and attitudes to, equity release products.

1.2.2 The CASE studentship

The research was funded by the Economic and Social Research Council (ESRC) as part of the ESRC's Collaborative Awards in Science and Engineering (CASE) Studentship programme.

‘CASE studentships essentially involve non-academic organisations and academic departments in the support of doctoral students researching topics of mutual interest’ (Bell and Read, 1998, p.7). The non-academic organisation involved in this research was Age UK (formerly Age Concern and Help the Aged).

Age UK represents all older people in the UK and its Policy Unit carries out and commissions research in order to build an evidence base to support the organisation’s policy development and campaigning work.

They were interested in this research because they felt there was a need for independent information on customers’ experiences of equity release and they also wanted to get more of an idea of how and why older people are using the value of their homes as they age. Age UK played a pivotal role in this research by facilitating access to research participants but the CASE studentship also provided benefits in a number of other ways. These included opportunities for presenting academic research to non-academic audiences and experience of balancing the interests of different stakeholders and managing people’s expectations while trying to achieve the key aims and objectives of a research project (see Appendix 1.1).

1.3 Thesis outline

The following chapter, chapter 2, provides an overview of the political and socio-economic trends that have led to welfare state restructuring and an approach to financial security which focuses on enablement and prevention through asset accumulation and use rather than (or, in addition to) the direct provision of state welfare. It is argued that these trends have altered the role and relevance of home ownership in relation to welfare. It also draws attention to some of the inequality issues and risks associated with the move towards

personal assets for financial security, particularly in later life. This chapter therefore provides the context of the research and the background to the rest of the thesis.

Chapter 3 develops the discussion presented in Chapter 2 by considering in more detail the reasons why housing assets are relevant to the welfare of older people and the role that these might play in helping to fund retirement. Drawing on existing literature it charts the growth in home ownership and housing wealth and the decline in the value of state and private sector pension provision. As well as considering the contribution that housing wealth might make to the income needs of older people, it examines the limitations of using housing wealth for welfare. In doing so it draws on some of the arguments regarding asset inequality outlined in Chapter 2 as well as focusing on attitudinal barriers and problems with realising housing assets.

Chapter 4 provides a critical account of the methods used to answer the research questions. This includes a discussion of why and how mixed methods were used and also an argument for how mixed methods can be seen as viable from an ontological and epistemological point of view. The chapter also provides a detailed, reflective, account of how the empirical stages of the research were designed and carried out and it also considers the ethical issues that were part of this process.

Chapters 5, 6 and 7 present the findings from the non-empirical and empirical phases of the research. Chapter 5 focuses on sub-question a) 'what is equity release and how widespread is its use?' while Chapters 6 and 7 present the findings that answer sub-questions b) and c) 'What kinds of people use equity release products, why do they do so and how do they feel about them?' and 'How, if at all, has this changed over time?.'

The final chapter, Chapter 8, summarises the findings from the previous three chapters and considers what they mean for the role of equity release products in relation to welfare (sub-question d). It discusses the ways in which equity release products might be reformed in order to make the use of housing assets more flexible and affordable and why this is important. This discussion is therefore related to the issues and debates presented in Chapters 2 and 3. The final part of this chapter reflects on the research as a whole and makes suggestions for future research.

2 FROM COLLECTIVE WELFARE PROVISION TO ASSET-BASED WELFARE

2.1 Introduction

The aim of this chapter is to locate the focus of the research within the broader context of asset-based welfare.

For a number of reasons welfare states are perceived to be 'under pressure' and subject to reform or retrenchment (Taylor-Gooby, 2008). Demographic changes such as population ageing and changing household structures have increased demand for income maintenance and services and are considered to restrict the expansion of generous, universal provision. In the economic arena, slower growth and globalisation are also seen as putting pressure on finances and limiting the capacity of the redistributive state (Pierson, 1998). Furthermore, neo-liberal imperatives have played a role in influencing welfare reforms (Clarke et al, 2000) with economic competitiveness and a mixed economy of welfare taking preference over redistribution and the expansion of state provision.

While governments still play a significant role in relation to the welfare of its citizens, individuals have to take more responsibility for their financial security and are encouraged to rely on their own resources rather than the state. Personal assets such as savings, pensions and housing are therefore more important for financial security than they were in the more collectivist era that characterised the post-war period.

Since the 1980s governments have explicitly encouraged asset accumulation and it can be argued that this has been part of a deliberate attempt to roll back its welfare responsibilities.

However the broader welfare state changes outlined above are likely to have increased individuals' reliance on assets notwithstanding these attempts.

The first part of this chapter examines the various factors that have led to the restructuring of welfare states both in the UK and elsewhere and to changes in the goals of social security. It draws attention to the emphasis on prevention and enablement rather than cure which is seen as discouraging individuals from taking responsibility for securing their own income.

The second part of the chapter examines the role of assets in relation to this shift and shows how a reduction in collective ownership of wealth has been replaced with individual ownership of financial, pension and housing assets. Given the focus of this study, particular attention is paid to housing assets and the role that government policy has played in encouraging the widespread ownership of this resource.

The final section in this chapter considers the welfare implications and inequality issues that are associated with a decline in collective welfare provision and a greater reliance on asset-based welfare.

2.2 Pressures on the welfare state

The welfare state in the UK was developed during a period of secure growth, male breadwinner family systems and stable labour markets (Taylor-Gooby, 2001a). These conditions allowed for broad cross-party agreement on a commitment to the mixed economy, the maintenance of full employment and a high level of state welfare provision (Bochel and Defty, 2007). The welfare state was therefore expected to provide financial security from cradle to grave (Rowlingson, 2003). But from the 1970s onwards, a number of trends have led governments to question the desirability and feasibility of this traditional settlement. These include globalisation, increased demand for welfare from labour market and demographic changes and shifts in political ideology.

2.2.1 Globalisation

Globalisation involves the move towards freer international commodity and fiscal markets. From a 'strong' or determinist perspective globalisation is considered to limit the ability of governments to control their economies and subsequently set limits on the authority and capacity of welfare states (Ohmae, 1990; Pierson, 1998). But as Taylor-Gooby (2011) points out, the UK flourished during the first era of globalisation through industrial, imperial and military superiority. Later, it also enjoyed 30 years of stability during the post second world war boom. However the oil price rises in the mid-1970s marked the end of this period which had allowed for significant welfare state expansion.

The new wave of globalisation has led to the emergence of newly industrialised countries as major trading nations, particularly in East Asia, while the UK is no longer a major exporter (Taylor-Gooby, 2008; 2001b). The UK may continue to achieve real growth but economies

elsewhere are likely to grow much faster (Taylor-Gooby, 2011). Indeed in 1980 the UK's share of the world's GDP stood at about four and a quarter per cent. By 2010 it had reduced to two and three-quarter per cent and is predicted to decline even further (International Monetary Fund, 2010).

In order to compete in the new globalised world it is argued that nation states become dependent on the need to secure conditions that will allow growth and prevent any loss of investment finance or 'social dumping' (Surrender, 2004). This is a situation where companies operating in low wage economies are able to undercut the prices of competitors thereby forcing companies with higher costs to go out of business or to relocate to low wage economies (Surrender, 2004).

The conditions said to be necessary for encouraging and retaining business and investment include low taxation, fiscal austerity, a flexible and de-regulated market place and a relatively cheap workforce (Surrender, 2004; Taylor-Gooby, 2011). These are conditions which are at odds with the more traditional commitments of social democratic governments to higher levels of taxation, public expenditure and full employment (Baker, 2000).

Indeed the commitment to full employment via Keynesian demand management came to an end during the 1970s. Keynesian demand management favours government intervention in order to promote growth and employment because the market alone cannot guarantee these (Powell and Hewitt, 2002). Rather than cutting public spending during a recession which governments had done before the war, post-war governments would increase spending in order to maintain demand (Powell and Hewitt, 2002). But with the effects of globalisation reducing the ability of nation states to control economic issues within their

own borders, Keynesianism was abandoned. As Jessop (1994) argues, in place of the welfare state we now have a competition or Schumpeterian state that focuses on economic imperatives rather than promoting social welfare.

The 'sideways squeeze', as Giddens (1998) refers to it, on national government by trans-national agencies also comes from greater international integration (Surender, 2004). Membership of the European 'clubs' (the European Union and the Economic and Monetary Union), for example, is thought to constrain the capacity of nation states in the finance of welfare. As Taylor-Gooby (2001c) states, the convergence criteria for EMU membership (low rates of inflation, low interest rates and currency stability) and the macroeconomic requirements of the Stability and Growth Pact require members to pursue prudent fiscal policies and maintain relatively balanced budgets over the economic cycle.

According to Leibfried and Pierson (2000), the process of European integration has also eroded the legal authority and the regulatory capacity of member states to determine national policy as the EU intervenes directly by enacting social policy initiatives through the European Commission, the Council of Ministers and the European Court of Justice (Surender, 2004). The Barber case (C262/88) is one such example. On the basis of deferred pay, it established that the EU's 1975 Equal Pay directive applied to occupational pensions (Taylor-Gooby, 2001c). As Taylor-Gooby (2001c, p.18) points out, this meant that *'a gender difference in pension age in the state but not the occupational sector then became untenable, with very substantial implications for costs, entitlements and working lives in the UK'*.

A further example of the 'sideways squeeze' (Giddens, 1998) comes from the expansion in trade in the services directly involved in the welfare state such as education and medical

services, particularly in the EU which puts further pressures on state provision (Taylor-Gooby, 2008). As Taylor-Gooby (2008) argues, *'the possibility that the World Trade Organisation may limit subsidies to government services in order to ensure competition on equal terms for private capital may constitute a major threat to welfare state services in the future'* (p.21).

All of these arguments regarding the effects of globalisation on welfare states follow the 'economic logic' of globalisation (Swank, 2005). In other words, external pressures constrain and force governments to restructure and roll back state provision and instead make use of more individual, market-based solutions. Other commentators suggest that globalisation has had less of a direct impact but has nevertheless been used by politicians to legitimise neo-liberal ideology and to advance welfare reform (for example, Lister, 2002; Palier and Sykes, 2001; Mishra, 1999; Scholte, 2000). Indeed in countries where the impact of globalisation has been portrayed as particularly significant or constraining; neo-liberal ideology has been most strongly embedded (Doling et al, 2003).

But whichever view one takes as to the precise impact of globalisation, it is clear that economic changes flowing from increased international integration of trade, production and fiscal markets will continue to impact on the welfare systems of industrialised nations. Indeed the recent financial and economic crisis, which was sparked by problems in the global banking sector, provides a stark reminder that the workings of international markets increase economic uncertainty for nation states and individuals (Quilgars and Jones, 2010).

This next section looks at the factors which have put pressure on welfare states through increased demand for welfare.

2.2.2 Increased demand for welfare

From the mid-1970s onwards, European countries experienced high levels of unemployment.

In the UK, unemployment rates were around 2.5 per cent in the 1950s and 1960s but rose to 9.6 per cent in 1981 (Nickell, 1999). Unemployment rates were generally lower in the UK than in other European countries in the late 1990s but by 2002 they were still twice the level experienced in the 1950s and 60s (Rowlingson, 2003). After 2004, unemployment rose gradually up until mid-2008 and then sharply during the recession. According to the Office for National Statistics (2011), unemployment reached 7.9 per cent (2.5 million people) in the three months to November 2010.

Such high levels of unemployment undermine social security systems based on the insurance principle. They also compromise people's ability to save and make private pension contributions to help fund their retirement. As a result, activation policies have become increasingly popular which are designed to encourage more people into work through training, education and wage support while passive forms of support such as unemployment benefits have been cut back (Taylor-Gooby, 2008).

Other labour market changes in response to technological developments and globalisation have also put pressure on welfare states. The decline in industrial employment and supply of unskilled jobs coupled with the expansion of service-sector employment has led to unemployment and an increase in the number of people concentrated in low-paid, insecure, service sector jobs. Not only do these trends increase risk and uncertainty for individuals but they also put pressure on welfare resources as they expand the need for state support (Mishra, 1999; Taylor-Gooby, 2008).

A further implication of the shift towards the service sector is a decline in growth rates which are typically linked to productivity (Taylor-Gooby, 2008). As Taylor-Gooby (2008, pp.15-16) points out: *'an expansion in welfare is easier to achieve when it involves allocating the increment from growth rather than redistributing existing resources, so welfare states come under pressure'*.

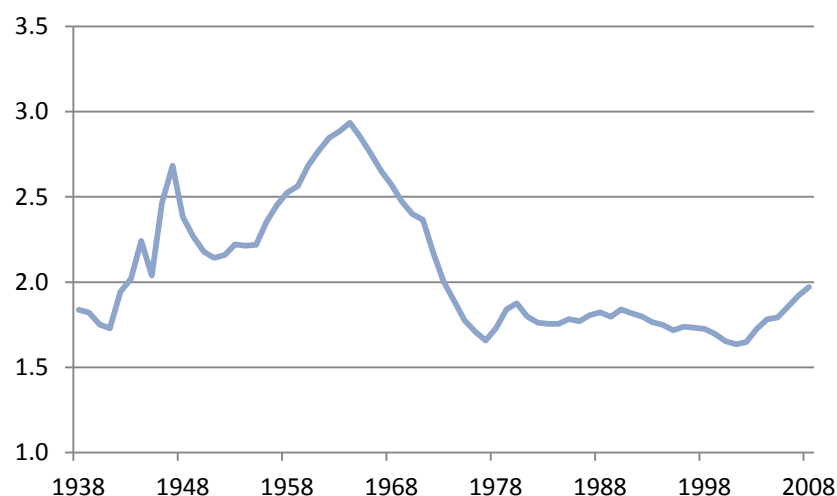
Changes in household structures and the role that men and women play in society have also had an impact on the demand for welfare. As mentioned above, the UK welfare state was developed at a time when it was assumed that a male breadwinner provided for his family through stable, industrial, employment while his wife worked part-time, or not at all, and took on the role of primary care-giver (Rowlingson, 2003; Taylor-Gooby, 2008). But this traditional family model began to break down from the 1960s and 70s and family life became increasingly diverse (Rowlingson, 2003). The number of divorces increased considerably, marriage rates declined and rates of extra marital births also increased. As a result, the number of mainly female headed, lone parent families, has risen substantially since the 1970s (Rowlingson, 2003). With limited childcare availability and employment opportunities in the UK, poverty rates have increased among certain groups of women.

However given the unequal employment opportunities that women often face, there have also been demands for greater equality in work which have put pressures on education, employment and the provision and quality of care for children and the elderly (Taylor-Gooby, 2008). This is reflected in EU policy making where targets have been set for childcare and for women's education and employment (Taylor-Gooby, 2008).

In addition to these changes, the UK, in common with other European countries, has an ageing population. Increases in life expectancy have contributed to this demographic shift. In 1981 male cohort life expectancy at age 65 was 14.0 years. This had increased to 21.0 years by 2008 and is projected to rise to 25.3 years by 2051. Life expectancy for women at age 65 in 1981 was 18.0 years; increasing to 23.6 years by 2008 and is projected to rise to 27.7 years by 2051 (Office for National Statistics, 2010a).

At the same time, fertility rates have declined. The baby booms just after the First and Second World Wars and during the 1960s resulted in sharp increases (see Figure 2.1) but the total fertility rate has since remained below the replacement rate (the level of fertility required to ensure that a population replaces itself in size which is usually 2.1 in developed countries) (Office for National Statistics, 2010a). As the large cohorts of the 1960s began to enter the working age population from the late 1970s, the effect on the old age dependency ratio was reduced. However the post-World War II baby boomers are now reaching State Pension Age while the cohorts entering the working age population are from the 1990s when fertility rates were low (Office for National Statistics, 2010a).

Figure 2.1 Total fertility rate¹ (England and Wales)

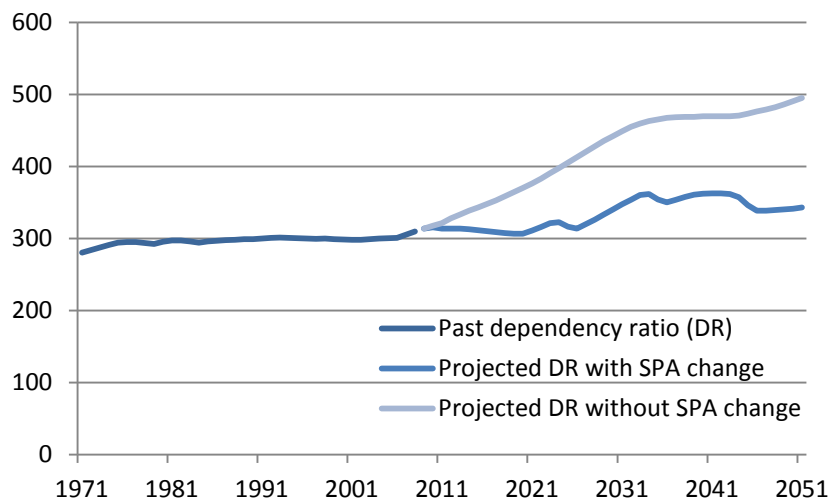


¹The total fertility rate for 1980 and prior to 1980 is based on rounded population data.

Source: Office for National Statistics, 2010a, 2-5

The old age dependency ratio is often used to indicate the age structure of a population and has been at the centre of the pensions policy debate in the UK (Office for National Statistics, 2010a). It indicates the number of people of State Pension Age and over for every 1,000 people of working age (Office for National Statistics, 2010a). Figure 2.2 shows past and projected old age dependency ratios, taking into account the effects of the planned increases in State Pension Age (SPA) between 2010 and 2046 where men and women will not be able to claim their state pension until they reach the age of 68. The ratio remained fairly stable between the mid-1970s and 2006 at around 300 and then rose to 310 in 2008. Without the increases in the State Pension Age, the dependency ratio would continue to increase from 2009 reaching 376 by 2021 and 495 by 2051. When the increases to the SPA are incorporated, the ratio is expected to reach 343 by 2051 (Office for National Statistics, 2010a).

Figure 2.2 Old age dependency ratio^{1,2}



¹ Working age population is defined as individuals aged 16-SPA.

² Ratios between 1971 and 2008 are based on mid-year population estimates. From 2009 onwards, ratios use 2008-based mid-year population projections.

Source: Office for National Statistics, 2010a, 2-3

Dependency ratios, however, do not take into account the economic activity rates among those of working age or pensionable age. So if people spend more time in education and retire earlier (though recent statistics (ONS, 2011) suggest that the age at which older people are withdrawing from the labour market is increasing) then these trends will also have an impact on the financing of Pay-As-You-Go (PAYG) systems. In other words, the scale of the problem depends on employment rates and productivity as well as age structure (Ginn, 2008; Taylor-Gooby, 2001c).

It is also important to note that despite government concerns about the impact of this demographic shift on provision for older people, population ageing in the UK is relatively slow compared with other European countries (Taylor-Gooby, 2001b). Germany, Greece and Italy, for example, have a higher proportion of their population aged 65 and over than the UK (Lanzieri, 2011). Furthermore, the value of the state pension in the UK is one of the lowest in Europe. Therefore spending on the state pension as a share of national income will

increase more slowly than in other countries. If the Coalition government had not restored the earnings link then spending may have actually fallen, from 5.5 per cent of national income in 2000 to 5 per cent in 2050 (Institute for Fiscal Studies, 2004).

However, the total bill for the Basic State Pension is still expected to rise in real terms reflecting an increase in the number of people of pension age. Over the last 25 years the percentage of the population aged 65 and over increased from 15 per cent in 1984 to 16 per cent in 2009, an increase of 1.7 million people. By 2051, 24 per cent of the population is estimated to be aged 65 and over (Office for National Statistics, 2010a; 2010b). But the fastest increase has been in the number of those aged 85 and over. By 2051 the proportion of people in this age group is projected to be more than 2.5 times larger than in 2008, rising from 2 per cent to 7 per cent of the total population (Office for National Statistics, 2010a). Important recent reforms to qualifying years and credits for time spent in unemployment or caring for children and other dependents mean that the proportion of women eligible for the full Basic State Pension will also increase thereby increasing costs in real terms (Pensions Policy Institute, 2011b).

So while longer life expectancy is, on the one hand, something to be celebrated, on the other, it continues to raise concerns about the impact on public spending. According to the European Commission (2004, p.13), demographic changes will:

‘Result in an increase in pension and healthcare spending by 2050, varying between 4 and 8% of GDP. Already from 2020, projected spending on pensions and healthcare will increase by some 2% of GDP in many Member States and in 2030 the increase will amount to 4-5% of GDP’.

These concerns have led to pension reforms aimed at reducing state responsibilities such as restricting pension entitlement by increasing minimum contribution periods (such as in

France, Germany and Italy) increasing retirement ages and reducing replacement rates either by cutting the replacement percentage or revising the entitlement formula (such as in France and the UK) (Taylor-Gooby, 2008;2001c). Recent UK reform has also led to the removal of the Default Retirement Age¹ so that people are able (and encouraged) to work for a longer period of time. But while changes have been made across Europe, as Taylor-Gooby (2001c, p.24) points out, *'the scale of reform is not commensurate with demographic change: the UK has responded with the most thorough-going restructuring, effectively transferring the bulk of provision to the private sector'*.

In relation to healthcare, a number of reforms have also been implemented to reduce rising costs such as placing restrictions on what GPs can prescribe (UK and Spain), tighter budgetary limits on hospital spending (UK, Germany and France) and a greater reliance on market mechanisms which are considered to increase competition and cost-effectiveness (Taylor-Gooby, 2008). Concerns about the rising costs of care as a result of ageing populations have been exacerbated by other social changes, namely the increase in full-time employment rates among middle aged women who have traditionally been the main caregivers to elderly relatives (Taylor-Gooby, 2008).

2.2.3 Ideological shifts

Other forces shaping the restructuring of welfare states stem from arguments about the role of government in welfare and the legitimacy of welfare state spending which go against the social democratic ideas that supported traditional interventionist welfare states. These have often been based on communitarian and neo-liberal thinking which favour a reduced role for

¹ The Default Retirement Age (DRA) was implemented in 2006 allowing employers to force their employees to retire at the age of 65. Employees could request to work beyond this age but employers were able to refuse these requests if they wished to. The DRA will be phased out between 6th April and 1st October 2011.

the state in welfare provision and funding and a greater role for markets and individual responsibility (Jensen and Pfau-Effinger, 2005; Taylor-Gooby, 2001c; Walker, 2005).

According to writers in the communitarian tradition, notably Etzioni (1995; 1997), modern society is characterised, in part, by a decline in moral and civic spheres which is reflected in the rise in crime rates, drug and alcohol abuse, poor educational achievement, a rejection of family values and low aspirations. The solution to these problems is to move from 'society' to 'community', or in other words, from state provision to private and voluntary provision.

Advocates of communitarianism argue in favour of individual responsibility and substituting obligation for provision based on entitlement (Harris, 2002). In line with Etzioni's ideas, Giddens (1998, p.65) argues that the prime motto for modern politics should be '*no rights without responsibilities*' and this can be seen in a number of welfare reforms that New Labour made such as the New Deal which provides people with opportunities to work but requires them to accept these or suffer penalties if they do not (Powell, 2000). The doubling of the maternity grant to £200 in return for parents meeting their obligation to attend child health check-ups is a further example (Powell, 2000). Conservative notions of the 'Big Society' can also be seen as representative of this communitarian way of thinking.

Neo-liberal ideology has also influenced policy in many western countries since the 1980s. Neo-liberalism supports a strong role for the market and a residual role for the state in economic and social policy. Free markets and trade liberalisation are considered to be the most appropriate mechanism for promoting growth and improving living standards for everyone since economic growth is thought to trickle down to the poorest groups in society (Walker, 2005).

The abandonment of Keynesian economics was not only challenged by the 'economic logic' of globalisation but also by neo-liberal economists who argued that governments should employ monetarism to control inflation by controlling the money supply rather than using demand management. Keynesianism, they argued, led to increased inflation at best and stagflation (unemployment and inflation at the same time) at worst (Powell and Hewitt, 2002). These ideas have attained widespread support and although Social Democratic parties in a number of European countries might not strictly adhere to monetarism, they have accepted that competitiveness should predominate over traditional concerns with redistribution. They also accept that there is a limited role for demand management in a globalised world. Thus a broadly liberal consensus has increasingly come to influence the overall direction of policy making (Taylor-Gooby, 2001c).

The broader influence of neo-liberal ideology, however, has been seen most clearly in the US and the UK where an emphasis on rolling back the state and upon 'DIY welfare' (Klein and Millar, 1995) was initiated during the conservative governments of the 1980s and early 90s. Under the influence of New Right political forces and ideologies they advocated anti-welfarism and anti-statism (Clarke and Newman, 1997). The anti-welfarist element of the New Right treated welfare spending as a drain on the economy and as socially damaging while the anti-statist element treated the free market as the normative mechanism for allocating resources, goods and services (Clarke et al, 2000).

The Labour government that succeeded the Tory government refuted the idea that its approach to welfare was nothing more than 'warmed over' neo-liberalism but it nevertheless pursued an approach to social protection that was based on a reduced role for

the state and a greater role for individuals, the market and the voluntary sector. New Labour's approach was meant to represent the middle ground between the Old Left and the New Right, something it termed the Third Way. Their Third Way in welfare was largely informed by the ideas of Antony Giddens (1994; 1998). For Giddens, economic challenges to the welfare state were only part of the problem. The 'old' welfare state, he argued, led to problems associated with legitimacy and flexibility and created as many problems as it solved (Giddens, 1998). As the 'wrong' people had their needs met, legitimacy was undermined and flexibility was inhibited by the bureaucratic nature of the institutions of welfare.

In addition to economic forces, these factors led Giddens (1998) to suggest that there was a need to develop a new framework for social protection. This would be based on future orientated investment and enablement rather than passive, direct provision, of social insurance mechanisms so that people would be less dependent on the state and more equipped to promote their own welfare. In order to achieve this change the role of the state would be reconceptualised away from the redistribution of resources 'after the event' to the positive creation of future opportunities to obtain wealth (redistribution of opportunities) (Giddens, 1998). This would benefit not just individuals but the economy and society as a whole.

In addition to building people's capacity the new framework was intended to make individuals feel more responsible for meeting their own welfare needs. As Giddens (1998) puts it:

'Social democrats have to shift the relationship between risk and security involved in the welfare state, to develop a society of 'responsible risk takers...People need protection when things go wrong, but also the material and moral capabilities to move through major periods of transition in their lives' (p. 100).

The aim of trying to change attitudes as well as behaviour is what Rose and Millar have referred to as a strategy of autonomisation and responsabilisation (Rose and Millar, 1992; Rose 1999). In this sense, some suggest that having rolled back the interventionist state governments have intervened in other ways by seeking to instil in people what are thought to be appropriate attitudes and aspirations (Finlayson, 2009; Watson, 2009a).

Taking on the ideas of Giddens (1998), New Labour argued that the challenges confronting the welfare state created a need to adapt it. Although it believed that the state still had a role to play in guaranteeing access to opportunity goods such as health care and education, it no longer expected to tackle each and every social issue as it arose (Page, 2007). Instead it aimed to enable people to be more independent and self-governing (Page, 2007) and placed far greater emphasis than any of its Labour predecessors on the responsibility of the citizen. A new kind of citizenship was also promoted; one which undermined traditional ideas of citizenship rights placing a duty on individuals to fulfil their obligations and responsibilities (Lister, 1998, Clarke et al, 2000). Welfare rights became more conditional rather than being understood as a universal entitlement of citizenship.

Notions of the good citizen were defined, in large part, by work status and self-sufficiency. As Hewitt (2002, p.189) argues *'the good citizen is someone who works for a living (thereby making few or no claims on social security), saves a portion of their earnings, and uses their*

savings to contribute substantially to their own and their family's future welfare'. This expectation that people are required (compelled if necessary) to strive to support themselves contains a certain universalism in that all individuals are included, irrespective of age, sex, race or (dis)ability (Clarke et al, 2000). According to Dwyer (2002) the expectation that those citizens with adequate means should assume a greater level of responsibility for their own welfare is particularly marked with regard to pensions and care in old age.

The result of all of these trends, then, from globalisation and demographic changes to shifts in ideas about the role of government in welfare, is that governments in the UK and elsewhere are seeking to limit welfare spending by moving away from direct, large-scale state provision towards achieving social policy goals via more indirect means. Attempts have been made to ensure that public services are cost-efficient often by means of New Public Management (NPM) where resources are allocated through the use of market mechanisms, tightly controlled budgets and the imposition of targets. There has also been a greater emphasis on activation policies, designed to mobilise as many people as possible into the labour market and improve their skills. Individuals and households have also been encouraged to take more responsibility for their own welfare and to use private resources rather than relying on state provision.

The goals of social security have therefore changed quite significantly over the last few decades as have the means for achieving these goals. Social protection is now much more focused on prevention rather than cure and there is more emphasis on enablement rather than the direct provision of state welfare. One of the mechanisms that governments have used to 'enable' individuals to take more responsibility for their welfare needs is to

encourage them to accumulate personal assets in various different forms such as financial savings, private pensions and housing assets. The decline in collective wealth and the shift towards individual asset ownership is the focus of the next section in this chapter.

2.3 From collective welfare provision to personal asset-holding

Within the context of welfare reform there has been a move towards asset-based approaches to welfare with governments, in the UK especially, pursuing policies designed to reduce state provision of welfare and collective ownership of wealth and increase individual asset-holdings.

Asset-based policies have received increasing attention over the last couple of decades from both academics and policy makers in the UK and other English speaking countries notably the USA, Canada, Australia and New Zealand (Paxton, 2003; Reagan and Paxton, 2001; Sherraden, 2005). Having initiated a move away from an unfunded retirement income system to a universal, funded system in the early 1990s, Sherraden (2005) argues that Australia can be seen as being at the forefront of explicit asset-based policy with regard to maintaining living standards in later life.

Prabhakar (2009) argues that there are two approaches to asset-based welfare. One is based on citizenship and focuses on people's rights to assets while the other, relevant to this thesis, is based on social policy. The idea here is that through asset ownership individuals can (and should) take greater responsibility for their welfare needs rather than relying on state provision. By saving and investing in financial products or property that increase in value over time, the assets can be used to supplement consumption and welfare needs when

income is reduced or used to acquire other forms of investment such as educational qualifications (Doling and Ronald, 2010).

Michael Sherraden (1991) is an advocate of the social policy approach and he argues that as traditional methods of financing social expenditures come under increasing pressure, the best social policy alternatives will move beyond the idea of 'consumption-as-well-being' toward what Sen (1999) identifies as capabilities. This approach focuses more on prevention rather than cure. Instead of trying to solve problems after the event preventative welfare aims to stop these problems from occurring in the first place and asset-holding is considered to be important in helping to achieve this.

Sherraden (1991) argues that assets build people's capacity to deal with change before it happens making them better placed to take control of their lives and take investment opportunities such as training and education. Similarly, if individuals make the necessary savings then they may be able to avoid poverty in retirement (Sherraden, 2003). Sherraden (2003) argues that *'asset-based policy is not primarily about problem amelioration or fighting poverty. It is about enabling individuals to be in control of their lives, develop capabilities and contribute to society and the economy'* (p.34).

The shift towards personal asset-holding for welfare can be seen in policies designed to increase levels of financial savings and wider share ownership from the 1980s onwards, and in the asset-based policies introduced under New Labour. In the 1980s, the Conservative government privatised a number of nationalised industries including telecommunications, energy, railways and shipbuilding (Taylor-Gooby and Larsen, 2004) which meant that many more people, for the first time, became shareholders. They also introduced new forms of

tax-privileged savings accounts which are now known as ISAs (Individual Savings accounts) (Rowlingson and McKay, 2011 forthcoming) and significant tax cuts on assets.

In the 1970s, tax rates on investment income were higher than rates of tax on earnings but by the 1990s this had been reversed; creating opportunities for greater asset accumulation (and also wealth inequality) (Orton, 2008). New Labour continued along the same lines though attempted to extend savings opportunities to poorer groups through some of its asset-based welfare policies like the Child Trust Fund and the Saving Gateway. The Coalition government, however, have since abolished the Child Trust Fund and Savings Gateway but continued with tax-free ISAs.

Pension provision has also been at the centre of asset-based policies. When the Conservative government in 1980 reduced the value of the state pension by breaking the link with earnings, it encouraged individuals to accumulate private pension assets. It became possible for people to contract out of the State Earnings Related Pensions Scheme (SERPS) and generous tax treatment and National Insurance rebates provided encouragement for making this kind of provision (Rowlingson and McKay, 2011 forthcoming).

The Labour government that succeeded the Conservative governments of the 1980s and 90s also encouraged private provision. It aimed to reverse the 60per cent/40 per cent ratio of state to private provision (Department of Social Security, 1998) claiming that state pensions were unsustainable due to population ageing and that expanding private provision would help to solve this problem (Ginn, 2008). They therefore implemented a range of measures to encourage people to save for their retirement including Stakeholder Pensions which offered

low administrative charges and relatively low contributions targeting poorer groups (Mann, 2006).

There was also an attempt to change attitudes. In the foreword to the Performance and Innovation Unit report (2000) Tony Blair said *'I hope that our actions as a government will also promote a wider change in attitudes. This cultural change is a long-term project with high stakes'*. Attitudinal research suggests that people tend to agree that they should try to save for their own retirement (Clery et al, 2009) but the target of reversing the 60 per cent/40 per cent ratio proved to be somewhat ambitious and New Labour eventually recognized that this would not be achieved via information and choice alone (Rowlingson and McKay, 2011 forthcoming). In fact the target was dropped in the 2006 Pensions White Paper, *Security in retirement: towards a new pensions system*.

Rather than making a substantial improvement in the generosity of state pensions, the encouragement of private provision continued and some of New Labour's later reforms centred on auto-enrolment and compulsory employer contributions in the form of personal accounts as part of a National Pensions Savings Scheme (NPSS). The Coalition government continued with these proposals and the National Employment Savings Trust (NEST), as it has been renamed, is due to be rolled out in 2012. But as Ginn (2008, p.225) argues:

'Fears of a demographic time bomb threatening state but not private pensions are misplaced, at least in Britain' because as most economists agree *'funded and unfunded pensions alike have to be provided out of...contemporary real resources which pension funding cannot alter'* (Crawford, 1997, p.39).

Thus according to some commentators such as Walker (1990) and Vincent (1999), ideological opposition to welfare seems to have influenced shifts in pension policy more than economic imperatives.

It is perhaps surprising, therefore, that the Conservative and Liberal Democrat Coalition government has issued a Green paper with a proposal to introduce a single-tier state pension currently set at £140 per week which is just above the current level of the Guarantee Credit². However, part of the reason for doing this is to reduce the apparent disincentives to save that stem from means-testing and to encourage people to take greater personal responsibility. So support for private provision clearly remains very strong (Department for Work and Pensions, 2011a).

Alongside financial savings and pension assets, home ownership has also become increasingly important in the asset-based welfare arena. The expansion of home ownership has been an objective of many governments in the post-war welfare state. Indeed back in 1953 the government stated in its Housing White Paper that *'of all forms of saving, this is the best. Of all forms of ownership this is one of the most satisfying to the individual and the most beneficial to the nation'* (MoHLG 1953, cited in Malpass, 2008, p.12). But its role in relation to welfare has taken on a new significance in the context of welfare state restructuring (Doling and Ronald, 2010; Groves et al, 2007; Jarvis, 2008; Malpass, 2008, Quilgars and Jones, 2007; 2010; Smith and Searle, 2008; Watson, 2009a; 2009b). As Doling and Ronald (2010) put it:

² Guarantee Credit is the first element of Pension Credit which tops up a single pensioner's state pension income to £137.35 per week in 2011/12 (Pensions Policy Institute, 2011b).

'The potential wealth tied up in owner-occupied housing has been considered, more or less explicitly, to be a solution to the fiscal difficulties involved in the maintenance of welfare commitments, and through that, the asset in asset-based welfare has frequently become property or housing asset' (p.165).

So having once been referred to as the 'wobbly pillar under the welfare state' (Torgersen, 1987) following the decline in public housing, home ownership can now be seen as a corner stone in terms of the (potential) role it plays in providing security and independence. (Groves et al, 2007, Lowe, 2004, Malpass, 2005; 2008).

Because of the potential for home ownership to provide financial security (in addition to its popularity among the electorate) governments since the 1980s have offered explicit support for increasing the number of home owners. The 1980 Right to Buy Act, for example, signalled explicit support for home ownership while other measures included Mortgage Interest Tax Relief at Source (MIRAS) and the exemption of primary residences from Capital Gains Tax (Rowlingson and Mckay, 2011 forthcoming).

Labour originally opposed the Right To Buy Act of 1980 but New Labour embraced support for home ownership and implemented a range of measures designed to open up the market to as many people as possible particularly poorer, previously excluded, groups. In 2003 they commissioned the Chair of the Housing Corporation to lead a home ownership task force to look at practical ideas to support home ownership and to help tenants and others on modest incomes to buy a home (Dean, 2003).

In 2005 they issued a Five Year Plan, *Homes for All*, which set out the Government's intention to assist 80,000 households into home-ownership by 2010 (Office of the Deputy Prime Minister, 2005a). Later, it confirmed that it hoped to increase this number by a further

20-30,000 making it 110,000 in total (Blunkett, 2005). The subsequent shared ownership and Homebuy schemes were put in place to assist poorer groups into home ownership (Office of the Deputy Prime Minister, 2005b) and other policy mechanisms included subsidies for first time buyers, reductions in stamp duty and the deregulation of the mortgage lending sector. Together, these initiatives helped to boost the number of home owners by enabling different groups to access home-ownership and to create a number of different routes into the tenure (Groves et al, 2007). By the late 1990s, half of those defined as poor were home owners (Burrows and Wilcox, 2000).

New Labour cited one of its objectives for increasing home ownership rates among low income groups as *'enabling more people to share in increasing asset wealth: homes are not just places to live. They are also assets...Support for home ownership will enable more people on lower incomes to benefit from any further increases in the value of housing assets'* (Office of the Deputy Prime Minister 2005b, p.9).

It also said that it supported home ownership because *'People's homes have become more and more important to their sense of security and well-being'* (Office of the Deputy Prime Minister, 2005a, p. 32) cementing the earlier statement made by the ODPM which pointed to the need to increase asset holdings when explaining the rationale and objectives of equity stakes in social housing.

'There is evidence...that suggests low income households do not have sufficient savings to draw on for 'rainy day purposes', for retirement or to make the most of opportunities available to those with savings. This is behind the Government's aim to widen the benefits of savings and asset ownership, particularly to those on low incomes' (Office of the Deputy Prime Minister, 2003, 2.2-2.3).

Older people, in particular, have also been encouraged and forced in some cases to use the wealth they have tied up in their homes. As Groves et al (2007) suggest, the most obvious example is that some elderly people must use personal savings (which might include housing wealth) to pay for residential or nursing care (Sutherland Report, 1999). But they have also been encouraged to use housing wealth for home improvements and maintenance where there has been a reduction in state support in place of a greater emphasis on personal provision. *'It is only right that responsibility for maintaining privately owned homes, which for many people is their most valuable asset, should be first and foremost with the owner'* (Department of the Environment, Transport and the Regions, 2001, p. 9). Grants for such purposes used to be offered by local authorities but by 2005, there was an increasing emphasis on means-tests and the expectation that home owners borrow or release some of their housing equity to finance the work that needed doing to their homes (Malpass, 2008).

The encouragement to save for a personal pension, underpinned by an incentive to do this via the housing market, not least the buy-to-let market, can also be seen as support for the idea that housing has become central to asset-based approaches to welfare. The general deregulation of the mortgage market allowing increased fungibility of housing wealth (Smith et al, 2008) and the regulation of the equity release market might also be seen as attempts to encourage home owners to use their own resources for consumption and welfare needs.

The current Coalition government is also continuing with policies to help social tenants become home owners or to at least part own their homes through the Right to Buy and shared ownership schemes. It is also trying to help people remain in home ownership by

preventing repossessions through measures such as Income Support for Mortgage Interest (ISMI), the Mortgage rescue scheme and the Homeowners Mortgage Support scheme (Rowlingson and McKay, 2011 forthcoming).

It seems, then, that asset accumulation of various kinds from savings to pensions and housing assets has been encouraged by both Conservative and Labour governments, particularly since the 1980s, with the aim (or at least partial aim) of reducing people's reliance on state welfare and encouraging them to be more self-reliant. These changes represent a different approach to welfare provision from the more collectivist ethos that characterised the post-war period. They are significant not least because the ability to accumulate assets is unequally distributed in society and so welfare systems increasingly based on individual assets might reinforce or increase social and economic differences (depending on how policies are formulated). Furthermore, a greater role for individual, private provision and the encouragement of individual responsibility for welfare is associated with the individualisation of risk. Again, the social policy concern here is that not everyone has equal capacity to cope with these risks. The following section looks at these issues in more detail.

2.4 Assets and inequality

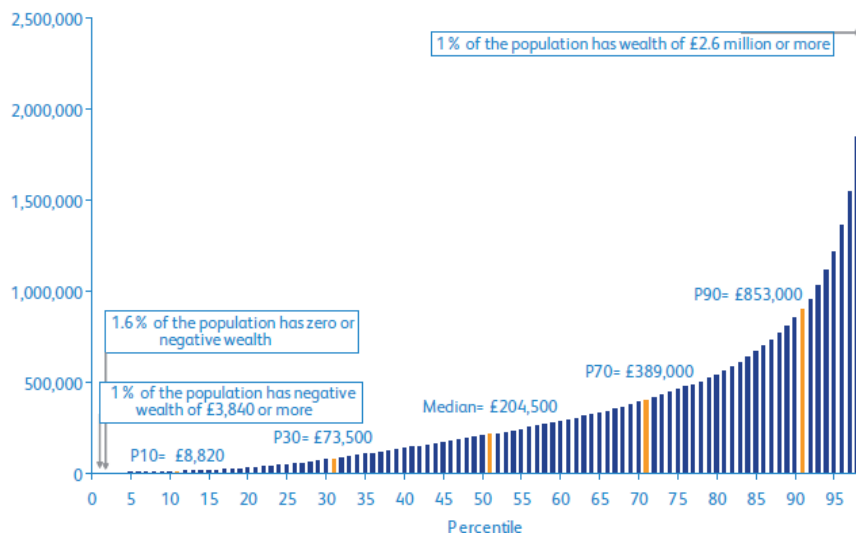
Shifting responsibility for financial security from the state to the individual by way of individual asset accumulation (and use) has potentially serious implications for the welfare of those with limited wealth or none at all. Indeed opportunities for asset accumulation are not equal, partly because support for asset accumulation has been regressive, leaving many individuals outside the 'winners circle' (Paxton, 2003; Harker, 2005).

The privatisation of utilities, for example, and tax relief on savings accounts such as Personal Equity Plans and Individual Savings Accounts (ISAs) have generally benefitted middle and higher income groups who can afford to make savings and invest in shares (Rowlingson and McKay, 2011 forthcoming). Although New Labour tried to extend savings opportunities to poorer groups through the Child Trust Fund (CTF) and Saving Gateway, it has been argued that the Child Trust Fund had the potential to increase inequality as better-off parents would be able to make the most of the top-ups. Maxwell and Sodha (2005) estimated that an account that received the maximum personal contribution would be worth around £31,750 whereas one that only received government funding would be worth £2,270 when it matured. Whether or not this might have been the case, these policies have since been abolished by the current Coalition government which has instead made plans to introduce junior ISAs (Rowlingson and McKay, 2011 forthcoming).

Opportunities to accumulate housing assets are also unequal. Even though a number of policy initiatives have helped poorer groups to accumulate housing assets, households with higher incomes are able to buy more expensive houses which tend to result in a higher level of housing wealth over time (Hamnett, 2010). A number of institutional barriers also affect asset accumulation among the poor such as a lack of incentives and limited access to information and advice (Sherraden et al, 2002). Independent financial advice can be expensive and so unaffordable to those who might need it most (Ring, 2003). Low income groups also tend to have lower levels of financial capability which can also affect the ability to make savings and investments (Thoresen, 2007; 2008).

These social and economic differences mean that some groups have made considerable wealth gains while others have missed out. Indeed there has been a significant increase in the unequal distribution of income and wealth in Britain during the last 25 years but the disparity is particularly marked in the ownership of assets (Paxton and White, 2006; Gamble and Prabhakar, 2006). In 2000 the top 1 per cent of the population held over 20 per cent of all personal wealth in the UK while a quarter of the population had net financial assets (after accounting for debts) of minus £200 (Paxton, 2003, p.3). They were essentially ‘asset-excluded’. More recent analysis suggests that this pattern has continued. According to Hills et al (2010) 1.6 per cent of households had zero or negative total net wealth between 2006-2008, and the 10th percentile for total net wealth only rose to £8,800 and the median to £205,000. However, a tenth of households had total net wealth exceeding £853,000, 7 per cent more than £1 million, and the top 1 per cent had more than £2.6 million (see Figure 2.3).

Figure 2.3 Total net wealth, 2006-08, GB, (£)



Source: Hills et al, 2010, p.59

In a welfare system increasingly based on savings and assets, these inequalities imply that asset-excluded groups and those with limited assets who have to rely on diminishing state provision will be more at risk of poverty and financial insecurity than those with access to higher levels of wealth.

One of the clearest examples of this is in relation to the welfare of older people where access to private pensions and other savings and assets has become increasingly important for securing a decent standard of living. Indeed those with the highest retirement incomes tend to have a varied 'basket' of income and assets (Pensions Policy Institute, 2010) while poorer groups tend to rely on the state pension for the majority of their income. High income pensioners receive around 35 per cent of their income from private pensions while low income pensioners only receive between 9 and 14 per cent of their income from these sources (Pensions Policy Institute, 2010). Furthermore, while the majority of pensioners receive some income from savings and investments, those in the top quintile of the UK net income distribution receive, on average, 16 to 19 per cent of their income from these sources while those in the bottom four quintiles only receive between 3 and 6 per cent of their income from savings and investments (Pensions Policy Institute, 2010).

Shifting responsibility for pensions from the state to the individual and the private sector also increases people's exposure to risk. As already mentioned, certain groups in society are likely to have difficulty making investments and even if people do make investments, they can fail, as the recent financial and economic crisis has reminded us. In the UK, many private sector companies (and increasingly public sector organisations) have shifted pension schemes from those based on final salary or Defined Benefit (DB) to Defined Contribution

(DC). Unlike in Defined Benefit schemes, the level of pension that employees receive in DC schemes at retirement depends on the accumulated fund, investment returns and annuity rates when the pension fund is converted into an income (Pensions Policy institute, 2007). Employees therefore bear the risk of low investment returns and low annuity rates when they retire (Pensions Policy Institute, 2007).

Relying on the private sector can carry risks in other ways. Indeed there have been a number of scandals over the last two decades which have affected private pensions and left people with lower pension income. During 1988-94, for example, many people who would have been better off in occupational pensions were mis-sold personal pensions (McKay, 2003) and there have also been a number of occupational pension scandals. The most well-known of these was in 1991 involving Robert Maxwell who used employees' pension contributions to temporarily support under performing companies in his group. As a result, 20,000 people lost £480,000,000 (McKay, 2003). Under New Labour, a number of companies ceased trading leaving people with reduced pension pots with some claiming losses of 80 per cent (McKay, 2009).

Although these types of risk can affect individuals from all socio-economic backgrounds (Vickerstaff, 2006) it is those with least resources who are most likely to suffer when risks are individualised rather than pooled. As Glennerster and McKnight (2006) explain, the total effect of the welfare budget is redistributive towards the poor since those from low income groups have often been the main recipients of cash benefits and are also more likely to receive more value from services in kind. So broadening asset-based approaches to welfare

to cover some of the risks previously and currently met by other parts of the system leaves poorer groups in a more vulnerable position (Harker, 2005, p.268).

2.5 Summary

This chapter has shown that a number of external and internal pressures on welfare systems have led UK governments and those elsewhere to embark on a process of welfare state restructuring where responsibility for welfare has been shifted from the state to the individual. While governments still have a significant role to play in welfare this has changed and is now much more focussed on enabling individuals to meet their income needs rather than the direct provision of state transfers.

As part of this shift governments have made direct attempts to increase levels of personal asset-holding. Nationalised industries have been privatised, tax privileged savings accounts introduced and state provision of pensions and housing has been scaled back while private pensions and home ownership have been encouraged instead. The idea is that individuals can and should use these assets in times of need rather than relying on the state. Those with limited access to personal asset accumulation and those with no assets at all will therefore be unable to enjoy the same standard of living as those with more significant levels of wealth. There are, as a result, some potentially serious welfare implications of a reliance on asset-based approaches to welfare and indeed any further moves towards such a system.

It is not just older people who have been affected by this policy agenda but individual assets, including housing, have become increasingly important in determining retirement living standards. The next chapter therefore focuses on the use of housing assets in helping to fund retirement and considers how and why this wealth is increasingly relevant to pensions.

It also examines the limitations of using housing wealth for welfare which draw on some of the inequality issues discussed in this chapter.

3 USING HOUSING ASSETS TO FUND RETIREMENT

3.1 Introduction

The previous chapter provided a discussion of the trend towards asset-based approaches to welfare and the various factors that have led to this shift including fiscal pressures on welfare states (as a result of social and economic changes) and the influence of neo-liberal ideology favouring a reduced role for the state and a greater role for markets in social and economic policy. Through saving and asset accumulation, the idea is that individuals can (and should) take greater responsibility for their welfare needs rather than relying on state welfare.

We saw that the encouragement of private pension assets can be seen as a clear example of this but it was also observed that housing assets have become increasingly important in the asset-based welfare arena; particularly in later life. This chapter builds on this by providing a more detailed discussion of why this is the case and draws on existing literature to examine the potential of housing assets in helping to fund retirement.

First, it charts the growth in home ownership and housing assets, showing how property wealth is now the single largest asset for UK households and that it is mostly concentrated in the hands of older people. Second, the chapter discusses why this wealth is relevant to the welfare of older people, focusing on the increasing need for additional resources in retirement. Third, the ways in which housing assets can be used (in theory) to meet income needs are explored before the final part of the chapter looks at the barriers limiting the potential of housing wealth as a pillar of welfare. The existing literature provides useful

insights, but with relatively little evidence on the direct experiences of home owners, it is argued that gaps in our knowledge about the opportunities and limitations of using housing assets remain.

3.2 The growth of home ownership and housing wealth

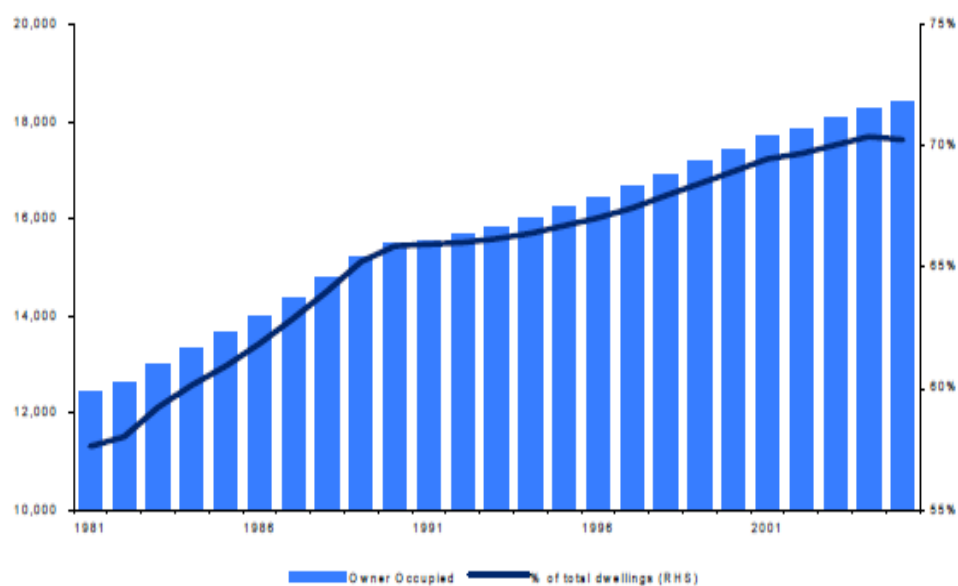
The level of home ownership in Britain and elsewhere in Europe has significantly increased in recent decades. In 1945, home ownership was a minority tenure in each of the EU25 countries but by 2003 it had reached 64 per cent overall (Quilgars and Jones, 2010). Although significant variation between countries remains, home ownership is now the majority tenure everywhere (except in Germany) and as such, Europe can be referred to as 'A Union of Home Owners' (Doling and Ford, 2007).

In Britain in 2006-08, 68 per cent of the population were home owners (30 per cent were outright owners while 38 per cent were buying with a mortgage) (Office for National Statistics, 2009). This expansion can be attributed to a number of factors including a largely favourable economic climate, increasing affluence and rising consumerism, financial deregulation and, in recent years, relatively low interest rates increasing the perceived affordability of borrowing (Munro, 2007). Tax-based incentives including Mortgage Interest Tax relief until 2000 may also have helped to expand the private sector and while this incentive no longer exists; governments have continued to expand home ownership through various shared ownership schemes and subsidies (Quilgars and Jones, 2007).

One of the most significant drivers of change was during the 1980s when public sector tenants exercised the Right to Buy their homes at discounted prices. Between 1980 and 2003, 2.2 million houses in Great Britain were sold under this initiative (Munro, 2007). Not

surprisingly then, the rate of growth in home ownership was particularly pronounced from 1981 to 1991 as Figure 3.1 illustrates. But growth continued, albeit at a slower rate, up until 2004. Thereafter the market started to stagnate. As Appleyard and Rowlingson (2010) suggest, this is no doubt due to increasing house price rises and lack of affordability in relation to people's income.

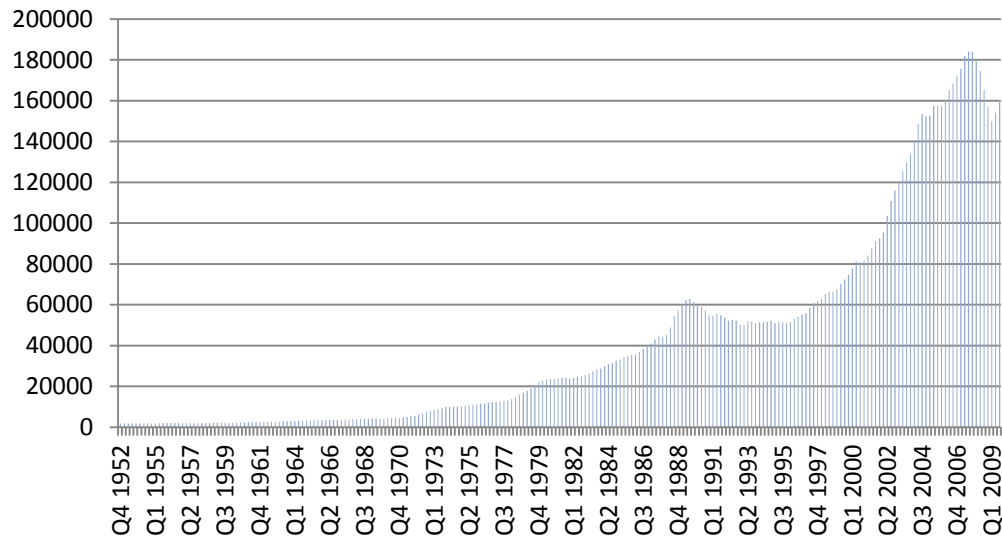
Figure 3.1 Home ownership in the UK, 1981-2005



Source: Williams, 2007, p.3

As well as increases in the number of home owners, there have also been substantial house price rises in many countries across Europe. The net value of owner occupied homes has been estimated at around 13 trillion Euros in the old member states and almost 2 trillion in the new member states (Doling, 2006). In the UK, the 1980s, 1990s and early 2000s saw rapid house price rises. Prior to that, national house prices also rose, from less than £2,000 in 1952 to a peak of around £180,000 in 2007 (Figure 3.2).

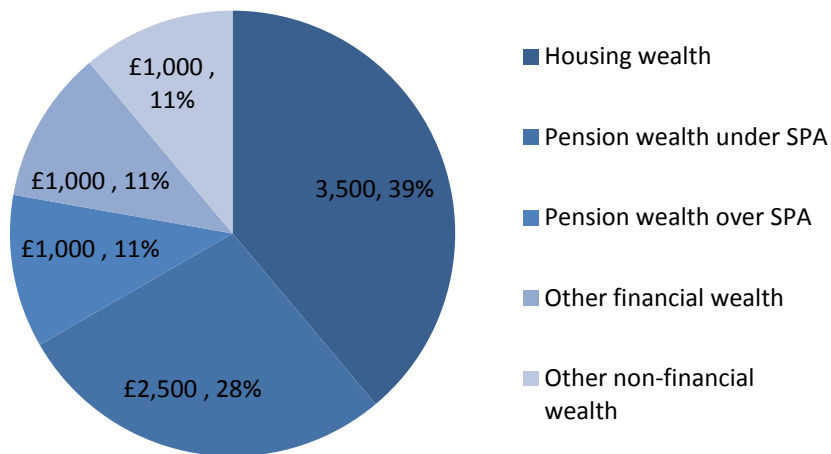
Figure 3.2 Average UK house prices: 1952-2009 (£)



Source: Nationwide, 2009.

The current economic and financial crisis has had a downward impact on house prices. However the reduction seems to have been fairly small with house values only falling to 2003/04 levels (Appleyard and Rowlingson, 2010) and housing wealth is still the single largest asset owned by UK households. Indeed almost 40 per cent of UK household's £9,000bn net wealth is held as housing wealth (see Figure 3.3) (Pensions Policy Institute, 2010).

Figure 3.3 Net wealth of households in Great Britain by asset type, £billion, 06/08



Source: Pensions Policy Institute, 2010, p.39

As Table 3.1 shows, this wealth is largely concentrated in the hands of older people. In 2009 it was estimated that British owner-occupiers aged 55-64 owned £560 billion worth of net housing wealth while those aged 65 and over held £800 billion worth of equity. By contrast, only around 15 per cent (£330 billion) belongs to those aged under 44 (Willettts, 2010). The differences are largely due to the fact that housing wealth tends to build up as people go through life and move into mortgage free ownership. But many of the baby boomers who were buying and trading up in the 80s and 90s have not only experienced an increase in the value of their homes; their mortgages are also likely to have reduced in size due to inflation (Willettts, 2010).

Table 3.1 Distribution of the UK's housing wealth by age, 2009 (£bn)

	Under 35	35-44	45-54	55-64	65+	Total
Gross	350	690	680	630	810	3,160
Mortgages	280	430	210	70	10	1,000
Net housing wealth	70	260	470	560	800	2,160

Source: Willetts, 2010, p.72

3.3 Why is housing wealth relevant to pensions?

The concentration of wealth in housing, particularly among older age groups, make it almost inevitable that UK governments see it as a potential solution to some of the problems associated with an ageing population.

The potential of housing wealth in this context has also been recognised by governments in many other European countries where similar shifts in welfare systems have taken place alongside increases in home ownership rates and house prices. In 1999, for example, the housing ministers of all the then EU member states concluded their meeting with the statement that:

'In most EU Member States, older people live in owner-occupied housing. This means that many older people possess capital in the ownership of their homes. The Ministers were aware of the need to explore new ways of helping older people to safely utilize their capital, for example, to obtain the housing and support services they need, to repair or adapt their existing homes or to release income to cover the costs of support services or to purchase new accommodation with support services available' (Finland 1999; paragraph 9).

At the same time, housing wealth has become increasingly relevant to pensioner households.

As seen in the previous chapter, governments since the 1980s have sought to reduce the role of the state in relation to welfare and increase the role of individual and private

provision. This shift has been particularly marked with regard to pensions. Individuals are expected to take more of the responsibility (and risk) for protecting themselves against income reduction in retirement through planning and the use of private pensions and other investments (Johansson and Hvinden, 2005).

Although the level of state pension payments has always been relatively low, changes since 1980 have further eroded the value of state provision (relative to earnings) making it difficult for pensioners to secure a decent standard of living using this source of income alone. In 1980, the Conservative government broke the link between state pension payments and earnings so that future payments would be increased in line with prices rather than prices or earnings, whichever was highest. The state's contribution has therefore reduced, relative to national average earnings, from 26% in 1979 to around 16% in 2009 (Pensions Policy Institute, 2011b).

Further reductions in generosity have been made by reforms to the State Earnings-Related Pension Scheme (SERPS). Entitlement to SERPS used to be calculated on the basis of an individual's best earnings over 20 years but the Social Security Act in 1986 changed this to earnings in 49 years. The accrual factor was also reduced from 25 per cent to 20 per cent of earnings between the lower and upper earning limits. Furthermore, the 1986 Act reduced the value of SERPS for widow(er)s who now only inherit 50 per cent, as opposed to 100 per cent, of their spouse's entitlement (Institute for Fiscal Studies, 2004).

While many of the reforms to the state system have made it less generous, anti-poverty strategies such as Pension Credit have had some effect on increasing pensioner incomes (for more information on Pension Credit and other social security benefits in older age, see

McKay, 2009). The Pensions Act 2007 and recent reforms by the current Coalition government³ are also likely to increase the level of income that some pensioners receive from the state system in the future (Pensions Policy Institute, 2009b). However, there has been little improvement for current pensioners and despite the changes, state pension income will remain low relative to national average earnings (see Table 3.2).

Table 3.2 Current full amount of Basic State Pension (BSP) and projected future amounts¹

Tax Year	BSP- Weekly amount (Projected)	Weekly National Average Earnings² (Projected)	Projected BSP as a percentage of NAE
Apr 2010	£97.65	£598	16.3%
Apr 2011	£102.15	£625	16.3%
Apr 2015	£123.10	£745	16.5%
Apr 2020	£155.45	£929	16.7%
Apr 2025	£196.30	£1,157	17.2%
Apr 2030	£247.80	£1,442	17.2%
Apr 2035	£312.80	£1,797	17.4%

1 PPI calculation. Assumes the BSP is up-rated in line with the Triple Lock from April 2011, which in the long term is assumed to exceed average earnings growth

2 This includes only full time employees.

Source: Pensions Policy Institute, Pension Facts, 2011a, table 5

Furthermore, the UK still has one of the least generous state pension systems in Europe with spending amounting to only half the EU average at around 5 per cent of GDP (Ginn, 2008). This is no doubt why the UK has the fourth highest poverty risk among retirees in Europe (Eurostat, 2010). In 2009/10, around 1.8 million pensioners were in poverty representing 16 per cent of the pensioner population (Pensions Policy Institute, 2011c). According to the most common measure of relative poverty in the UK this means that they were living in

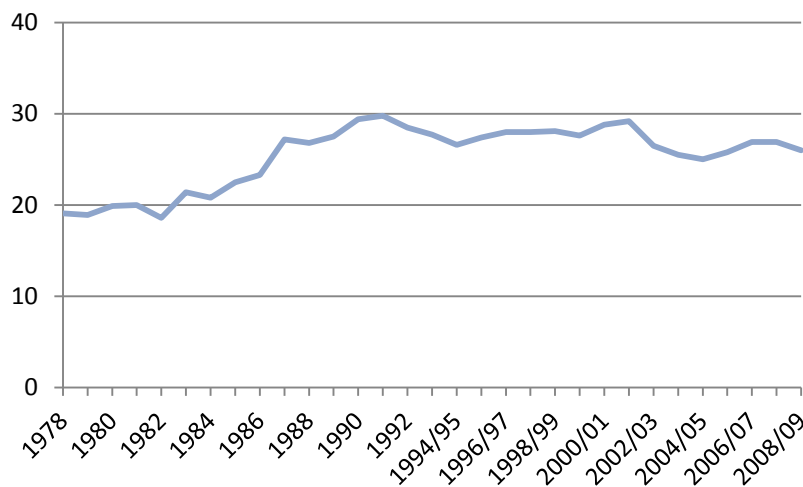
³ For example, the reduction in the number of qualifying years for both men and women to be eligible for a full Basic State Pension and raising the state pension each year in line with prices, earnings or 2.5 per cent, whichever is highest. The government have termed this the 'Triple Lock'.

households with household income below 60 per cent of median income after housing costs (Pensions Policy Institute, 2011c). Material deprivation measures, which determine whether people have access to goods, services and experiences that are considered essential, suggest that 9 per cent of over 65s are materially deprived (Department for Work and Pensions, 2011b).

Older people have been encouraged to make greater private provision to compensate for the gap in state support, and increased income from private sources has played an important role in improving the financial position of pensioners (Institute for Fiscal Studies, 2004). However, these increases have been concentrated among the better off and in 2008/09, more than half (56 per cent) of all income from occupational pensions and annuities went to retired households in the top income quintile (Office for National Statistics, 2010c). As a result, income inequality has increased among retired households (see Figure 3.4). It was particularly marked between 1977 and 1990 when the Gini coefficient⁴ increased from 20 per cent to 29 per cent but in 2008/09, at 26 per cent, income inequality was still much higher than it was in the late 1970s (Office for National Statistics, 2010b).

⁴ The Gini coefficient is a measure of income inequality. Gini coefficients range from 0 to 1, with 0 indicating total income equality and higher values indicating greater income inequality. These proportions can also be expressed as a percentage, i.e. 0 to 100 per cent (ONS, 2010b).

Figure 3.4 Gini coefficients for equivalised disposable income before housing costs (BHC) of retired households¹ (%)



1 Includes income from employment and self-employment, state benefits, pensions and investment income less payments of income tax, National Insurance contributions and council tax.

Source: Adapted from Office for National Statistics, 2010b, 13-14

There are also fundamental differences between men and women in third tier or private provision reflecting women's traditionally lower levels of paid employment, earnings and membership of private pension schemes (Hills et al, 2010). In 2007-08 the average gross weekly income of single female pensioners was £247 compared to £288 for single men largely because private pensions for women (occupational and personal) averaged only £54 per week compared to £87 for men (Hills et al, 2010).

The last two decades have also seen a trend towards the closure of Defined Benefit (DB) pension schemes either to new members or to new and existing members and for employers to offer membership in Defined Contribution (DC) schemes instead (Pensions Policy Institute, 2010). This means that some people are likely to receive a lower level of income from private pensions partly because their income will depend on stock market performance and annuity rates at the time of purchase but also because employers typically contribute less to

private sector DC schemes. On average the contribution is around 7 per cent of an individual's salary compared to around 16 per cent in DB pensions (Pensions Policy Institute, 2010).

The recession has also added to the financial difficulty that some pensioners face as their living costs have increased whilst their savings income has reduced (Age Concern and Help the Aged, 2009). The Institute for Fiscal Studies (2008) found that the poorest pensioners were most affected by the fuel price inflation in 2006 given that the proportion of their budget that is spent on fuel is around twice as large as that of the richest pensioner households. Furthermore, the Basic State Pension increased by less than pensioner inflation in 2006, 2007 and 2008 and the guarantee element of Pension Credit, which is uprated in line with earnings, also fell relative to pensioner inflation in 2007 and 2008 (Institute for Fiscal Studies, 2008).

All of these trends mean that governments are not only seeking a solution to the fiscal pressures on the state pension system but individuals are also likely to need additional resources in order to maintain a decent standard of living. This is where housing assets are seen as having a potential role to play. As outlined above, housing wealth is the single largest asset held by the majority of households and for older people in particular, it often represents a substantial financial resource. This next section looks at the ways in which housing wealth can be used to fund retirement.

3.4 How can housing assets be used to fund retirement?

In theory there are a number of ways in which homeowners can use housing wealth to support retirement. Firstly, it can reduce living costs as individuals who have paid off their

mortgages benefit from rent free living and their houses effectively provide an income in kind (Doling, 2009). This is essentially the reason why Castles (1998, p.13) argued that in later life '*when individuals own homes they can get by on smaller pensions*'. But this means, of course, that households who have not been able to access or sustain home ownership are more likely to face high housing costs in retirement and may be more likely to have inadequate levels of income to meet their non-housing needs (Yates and Bradbury, 2010).

The Pensions Policy Institute (2009a) estimate that owning your own home in retirement can reduce living costs relative to paying rent by up to 30 per cent for a single person and up to 40 per cent for a married couple. But they also acknowledge that this difference might not apply to low income pensioners where any rent is likely to be paid for by Housing Benefit. Indeed for low income pensioners, home ownership in later life can be a 'mixed blessing' (Gibbs and Oldman, 1993; Hancock, 1999). Older home owners on Income Support can get assistance with mortgage interest in later life but compared with repairs and maintenance, this is a very small component of housing costs (Hancock, 1999). This may be why Askham et al (1999) found that some older people considered home ownership to be a financial burden. Maintaining a home or paying for large one off-off expenditures is likely to be even more difficult for low income pensioners since government assistance in this area has been significantly reduced, as we saw in the previous chapter.

Home ownership can also be used to increase retirement income by renting out rooms or investing in properties such as holiday homes or buy-to-let properties. According to the Pensions Policy Institute (2010) there were around 16,000 boarders and lodgers living in pensioner households in 2006. If people own property other than their main residence then

they may be able to sell it or rent it out to provide extra income or capital. Part-time buy-to-let landlords often cite retirement income as a major motivating factor for investing in these types of properties (Bevan and Rhodes, 2003). In 2006, 2 per cent of those who were retired reported that they received rental income from a second property but this might increase in the future. Indeed just under 3 per cent of 40-55 year olds and over 3 per cent of people between 55 and State Pension Age report that they receive income from a second property (Pensions Policy Institute, 2009a).

People might also be able to sell their own homes and downsize, either by buying another, cheaper property, or by moving into rental accommodation in order to release some of the equity. Research by the Association of British Insurers (ABI) suggests that 29 per cent of working age people who own their own home plan to downsize to help fund their retirement (ABI, 2008).

There are also ways of accessing the equity tied up in the home without having to move using financial products such as mortgage equity withdrawal (MEW) products and equity release products. But while there are various ways in which housing assets can be realised in theory there are a number of barriers to using housing equity in practice which could limit the potential of housing wealth for meeting income needs in old age.

3.5 What are the barriers to using housing assets to fund retirement?

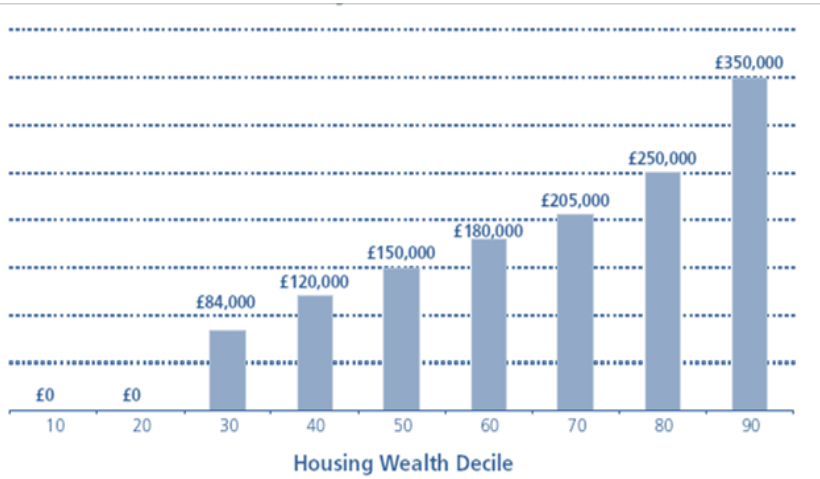
3.5.1 The uneven distribution of housing wealth

The first, and perhaps most important, point to make regarding the potential of housing wealth for meeting income needs in retirement is that housing assets are unevenly distributed. There is also still a small but significant minority of older people who do not own

their own homes. As Figure 3.5 shows, more than 20 per cent of people aged 50 or over have no housing wealth.

Figure 3.5 The unequal distribution of housing wealth (£)

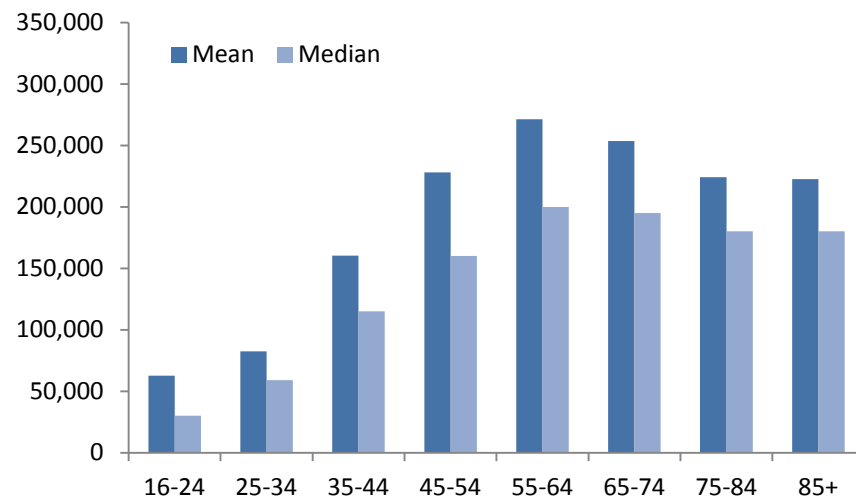
Decile points of the distribution of Housing Wealth, ELSA, wave 2, adults aged 50 and over, England and Wales, 2004.



Source: Curry, 2010, p.31

Among those who do have housing assets, there is significant inequality both within and between older age groups. For example, housing wealth varies by age with net housing wealth being highest for those aged 55-64 among the older age groups (Office for National Statistics, 2009). Median net property wealth for this age group was £200,000 in 2006/08 compared with £180,000 for those aged 75 and over (see Figure 3.6).

Figure 3.6 Distribution of net household property wealth¹ by age of household head, 2006/08 (£)

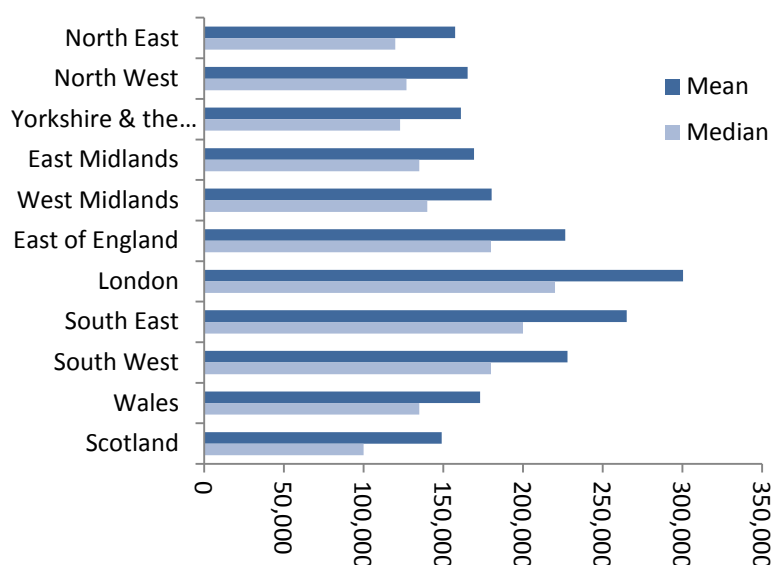


¹Results exclude households with zero net property wealth

Source: Office for National Statistics, 2009, p.22

There are also significant differences by region so the area in which people live, and the amount of time they have lived there, can significantly affect the amount of housing wealth they have. Gibbs and Oldman's (1993) research showed that property values in London and the South East were higher than in any other region in Great Britain. Although in this particular year many regions experienced a much lower rate of house price inflation than London and the South East, it is clear from more recent research (Office for National Statistics, 2009) that London and the South East are still the wealthiest parts of England in terms of net household property wealth with median values of £220,000 and £200,000 respectively (see Figure 3.7).

Figure 3.7 Distribution of net household property wealth¹ by region, 2006/08



¹Results exclude households with zero net property wealth

Source: Office for National Statistics, 2009, p.24

Dorling et al (2005) also point out that housing wealth is heavily concentrated in the South of England and state that the wealthiest one-tenth of households owns five times the housing wealth of the one-tenth with the least housing wealth. Analysis specific to older homeowners indicates that 43 per cent of housing equity of the over 65s is concentrated in London and the South East (Prudential, 2009). So regional differences in house prices clearly have an important effect on the distribution of housing wealth and Bramley et al (2004) have argued that:

'Owners in areas of low demand have no immediate prospect of making any gains at all. Equally, those fortunate enough to trade at the right time in local 'hot spots' can make gains that are much greater than those available to others in more stable local markets' (p.54).

Housing wealth also tends to be correlated with other types of wealth and this has important implications for the distribution of housing wealth in relation to need. Table 3.3 shows that tenure differences significantly affect the amount of wealth held by those aged 55-64 in particular. Median total wealth for those who are outright home owners is £527,000 while social tenants have median wealth of just £26,000.

Table 3.3 Household wealth for 55-64 year olds by housing tenure, GB 2006-08 (£000S)

	Median financial and physical wealth	Median financial, physical and property wealth	Total household wealth		
			10 th percentile	Median	90 th percentile
Outright owners	95	334	199	527	1612
Mortgagors	68	245	148	474	1262
Private tenants	25	25	*	62	*
Social tenants	15	15	3	26	186
All	66	243	28	416	1342

*Sample size too small for accurate reporting

Source: Hills et al, 2010, p.382

Housing wealth is also often positively correlated with private pension wealth. In other words, those with the most housing wealth are also likely to have the most private pension wealth (Pensions Commission, 2004, Pensions Policy Institute, 2009a). For these reasons, many commentators (for example Hancock, 1998a;1998b;2000, Pensions Commission, 2004; Sodha, 2005) seem to be in agreement that on a macro level housing wealth has only a limited role to play in funding retirement and cannot provide a solution to the 'pensions crisis'.

There is a similar relationship between housing wealth and income. As income rises, housing wealth tends to rise (Gibbs and Oldman, 1993; Hamnett and Seavers, 1996; Hamnett, 1999, Hancock, 1998a, 1998b, 2000, Pensions Policy Institute, 2009a) partly because households

with higher incomes are able to buy more expensive homes which results in higher levels of housing wealth over time (Hamnett, 2010, Malpass, 2008). Hamnett's (1999) research showed that professional and managerial groups gained almost twice as much as manual groups in absolute terms, reflecting their ability to buy more expensive properties.

However there is also a general relationship between wealth, income and age, whereby older people tend to have higher levels of wealth, including housing, because they have had more time to accumulate wealth. However, they tend to have lower incomes than younger home owners because they are retired. Therefore high levels of housing wealth do necessarily indicate high incomes; they may instead represent a long period of housing wealth accumulation (Hamnett, 2010). This means that some older homeowners may be asset-rich yet income-poor and if housing is to play a role in providing retirement income it is likely to be particularly beneficial for this group of home owners.

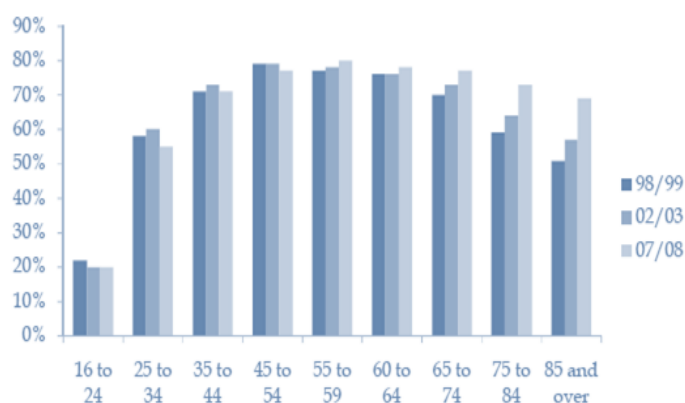
Hancock's (1998b) research provides a comprehensive review of housing wealth by income level using data from the 1993-94 and 1994-5 Family Resources Survey. She found that 9.2 per cent of those aged 65-74 and 13.2 per cent of pensioners aged 75 and over were 'house-rich, income-poor'. Hancock's later (2000) analysis of General Household Survey and Family Expenditure Survey data suggests that 12% of people aged 65-79 with incomes in the lowest fifth of the income distribution lived in properties with values that placed them in the second highest quintile of the house value distribution.

Using £50,000 as the threshold between house-rich and house-poor and the lowest two income quintiles as a definition of income-poor, Hancock (2000) found that there were approximately 2 million people aged 65 and over who could be classed as house-rich,

income-poor. Importantly, she acknowledged that if the lowest income quintile was used then the figure dropped to less than 0.4 million people. Hancock (2000) therefore states that the potential for housing wealth to supplement low incomes through equity release is greatest for those on low to moderate incomes rather than very low incomes.

But this analysis is now dated, and, using £50,000 as a threshold to determine those who are house-rich also seems outdated in today's market as this is unlikely to make someone house-rich enough to potentially increase income through releasing equity. For these reasons, Sodha's (2005) analysis, which uses £100,000 as the threshold for someone who might be considered house-rich, arguably provides more up to date and accurate analysis. She estimated that one fifth of retired people living in poverty owned more than £100,000 of housing wealth. This means that 440,000 retired people each owned, on average, £177,000 of housing wealth at the time of conducting the analysis. So a small, but arguably significant, minority of those who were retired were on low incomes and had fairly substantial amounts of housing wealth. But home ownership (or more specially, owner occupation) is highest among those aged 55-59 (see Figure 3.8).

Figure 3.8 Percentage of GB population who are owner occupiers by age in the years 98/99, 02/03 and 07/08



Source: Pensions Policy Institute, 2010, p.44

So as this generation ages, there could be higher levels of home ownership among those in their 60s, 70s and 80s (Pensions Policy Institute, 2010). However recent and possible future changes in the housing market could affect levels of home ownership among older age groups (Pensions Policy Institute, 2010). But assuming that the majority of 55-59 year olds remain in owner occupation throughout the rest of their lives, the number of pensioners who are income-poor but relatively house-rich could grow over the next ten to fifteen years. Indeed Sodha (2005) estimated that nearly 16 per cent of those aged 50 and over who were yet to retire were projected to have state and private pension wealth worth less than £160,000 but owned equivalised gross housing equity worth £100,000. Therefore housing assets might play an increasingly important role in retirement funding in the future. However as the following section shows, accessing housing wealth can be problematic.

3.5.2 Access issues

Perhaps the most economically rational way of releasing housing equity is to 'trade down' to a cheaper property or to move into rental accommodation. There are also ways of borrowing against the equity in a property through a process known as mortgage equity withdrawal (MEW) (Smith, 2005). Some of the ways in which MEW can take place are by over-mortgaging, where a home owner moves to a more expensive property but takes out a larger mortgage than needed to buy the new house, remortgaging in a way that a home owner increases their outstanding mortgage debt and/or by taking out further advances (Smith, 2005, p.147).

For older homeowners, however, 'trading down', moving into rental accommodation or accessing housing equity through MEW might not always be possible or, indeed, desirable in practice. Firstly there can be significant costs involved in moving house. A recent report by

the Pensions Policy Institute (2009a) suggests that downsizing from a property worth £350,000 to one worth £230,000 in order to release £120,000 could cost somewhere in the region of £13,100 when the costs of stamp duty, surveys, legal fees and so forth are taken into account.

A number of researchers have also found that people do not want to move house in later life due to the upheaval involved or because they want to remain close to their social networks (Davey, 1996; Aleroff and Knights, 2008). Furthermore, the rental sector in the UK does not make renting a very easy or attractive option given its relatively small size and nature. And since some older homeowners have relatively low incomes compared to their housing wealth; paying rent or repaying a loan secured on the property might not be possible out of the income they have for everyday expenses (National Consumer Council, 1999). This means that MEW might be difficult also. Although there are various options available for accessing housing wealth it is those mechanisms that allow deferred pay back, such as equity release, which are likely to be more suitable for older home owners (National Consumer Council, 1999).

Relevant institutional structures are in place in the UK to enable the release of equity via commercial products. These products seem to have the potential to make an important difference to living standards. Indeed Davey (1996) estimated that equity release schemes could increase the weekly incomes of pensioners by up to 20 per cent while research on reverse mortgages by Doling, Horsewood and Neuteboom (2009) suggests that they have the potential to increase net household income by more than 10 per cent.

But as with other methods of accessing housing wealth, there are also a number of obstacles to equity release, particularly for those on low incomes with limited housing assets. For example, the commercial products that are currently available only allow customers to release between around 20 and 50 per cent of the value of their homes and the start up costs involved in taking out equity release plans are likely to deter those on lower incomes from entering into a scheme. The potential impact on means-tested benefits is also likely to be a disincentive because recipients may lose substantial amounts of entitlement by taking out equity release so the net gain can be significantly less than the amount obtained from the plan in the first place (Terry and Gibson, 2006). Given that Sodha (2005) estimates that at least one million older people have housing wealth of more than £100,000 but incomes small enough to entitle them to means-tested benefits, significant numbers of people who could benefit from equity release may be currently deterred from doing so.

The equity release market can also be complicated and difficult for people to understand. The legal contracts that people enter into can have significant implications for the size of an estate and tax liabilities. As already mentioned, they can also affect benefit eligibility. A certain degree of financial capability is therefore necessary or at least beneficial if products are to be purchased safely and customers are to get the best deal.

Gaining good quality independent financial advice is also considered to be very important. The Financial Services Authority (FSA) recommends that anyone taking out an equity release product should seek independent financial advice from an FSA authorised adviser (Money Advice Website) and it is a requirement for anyone taking out an equity release plan from a SHIP (Safe Home Income Plans) approved provider to seek advice from an equity release

specialist adviser (though they do not have to be independent). But those from lower socio-economic backgrounds who may be most in need of financial advice are least likely to be able to afford it (Ring, 2003; Thoreson, 2007; 2008).

All of these obstacles to accessing housing wealth may help to explain why the majority of housing wealth held by older age groups has remained intact (Banks and Tanner, 2007; Pensions commission 2004; Lloyd, 2007) with few households engaging in 'new' housing asset-based welfare (Toussaint and Elsinga, 2009). Thus as Smith and Searle suggest (2010), the life cycle hypothesis of consumption (Ando and Modigliani, 1963) which has been used to account for the way in which wealth and assets accumulate and decumulate over the lifecourse has never really applied to housing. Commentators suggest that housing assets are only likely to be used in this way if absolutely necessary, once other, more liquid assets, have been used up (for example, Levin, 1998). The recent financial and economic crisis, however, may have strengthened the need to use housing assets. On the other hand, a reduction in house prices may well have undermined its potential for meeting income needs in retirement. This next section considers the impact of these recent events on the potential of housing wealth as a source of retirement funding.

3.5.3 The financial and economic crisis

As a number of commentators have pointed out, (for example Malpass, 2008; Smith, 2005; Watson, 2009a; 2009b) the potential of housing wealth for welfare depends, in part, on continuing house price inflation. Writing just before the housing asset bubble burst, Malpass (2008) warned that the prospects for a housing-based welfare state would look very different in the context of an economic downturn similar to that of the early 1990s when, according to Bank of England estimates, negative equity reached £6 billion in 1992 (Malpass,

2008). Households in this position were often *'unable to realise enough capital to pay off their mortgages, let alone pay for welfare needs'* (Malpass, 2008, p.14). Of course there has since been a downturn in the housing market and this may have undermined the potential of housing wealth for all stakeholders – government, individuals and households and the financial services industry.

As we have already seen, the potential opportunities of housing wealth to governments are that it can offset the costs of pensions and other welfare expenditures. It offers them the potential to avoid tax increases and even for achieving tax cuts (Doling and Ford, 2007). But, as Watson (2009b) points out, pursuing a strategy of asset-based welfare via the housing market in order to reduce individuals dependence on transfer payments appears somewhat dysfunctional. He argues that *'at the very least, the substitution of privately accumulated wealth for transfer payments as the underlying model of welfare is likely to increase rather than decrease popular demands for compensatory state support when asset bubbles burst'* (p.3).

Indeed the Brown Government stepped in when this very incident happened. Using taxpayer money, it provided state insurance of mortgage repayments up to a value of £400,000 (Prime Minister's Office, 2008). This policy provides coverage for the large majority of British households, allowing them short-term relief from mortgage repayments at the state's expense without the threat of losing their homes (HM Treasury, 2008). Watson (2009b, p. 12) argues that the aim seemed to be to keep people in their homes, whatever the cost, to prevent the loss of wealth from becoming any more pronounced. The Coalition government has also made concerted efforts to prevent large scale repossessions. Yet, as Watson (2009b)

points out, these are the actions of a government whose initial objective was to ensure that it could reduce on its responsibilities for future welfare provision.

For the financial services industry, the opportunities of housing asset-based welfare lie in the expansion of households purchasing products that first allow them to gain access to home ownership and then to use that wealth later on by way of using mortgage withdrawal or equity release products (Doling and Ford, 2007). However the crisis has meant that banks and other lenders have had to reduce their activities in this area as a result of tighter lending criteria and funding constraints which also have implications for households. While a return to responsible lending is a good thing in many ways, it may also have an adverse effect on the welfare of home owners, particularly where they already look to housing wealth to manage financial risks and meet welfare needs (Smith et al, 2008).

Having said this, the potential for housing wealth to meet income needs in later life might also be undermined by the increased fungibility of housing wealth that was made possible by housing finance in the run up to the financial and economic downturn. It has offered home owners greater opportunities for income smoothing, supporting increased expenditures and helping to tackle a range of unexpected life events (Smith et al, 2008). But if housing wealth is repeatedly drawn on in this way then borrowers are increasingly likely to move into retirement with outstanding mortgages (Ford, 2006). Indeed there is evidence to suggest that growing numbers of people are approaching retirement with outstanding debts and that those who have debt in retirement now owe considerably more than they did ten to fifteen years ago (McKay et al, 2008). Thus the very mechanisms that seem to enable a

greater degree of security and consumption in the earlier years could be the cause of greater income insecurity in later life.

Equity release, in the form of trading down or purchasing a product, is also likely to be more difficult in the current environment. Indeed in times like these housing markets are not always sufficiently liquid enough to allow people to release funds by trading down and equity release products may be harder to come by as lenders pull out of the market. These issues are likely to be of particular concern to those who feel that (or are forced to see that) the potential and relevance of housing wealth is reinforced rather than undermined having seen their pension position worsen as result of the recession (Smith and Searle, 2010). On the other hand, systemic constraints may be irrelevant if home owners see the fall in house prices as a reason not to use housing wealth for welfare.

In addition to the structural barriers that have been outlined above, the precautionary motive (Fisher et al, 2007) and people's attitudes to housing and inheritance might also set limits on the extent to which housing can be used to support retirement. The broader issue of responsibility for financial security is also likely to be important here because older people might not be willing to accept a greater degree of privatised welfare in place of collective provision. In short, even if people are able to use housing equity to help fund retirement they might not be willing to do so. Attitudinal barriers could therefore be as important as structural barriers. This next section looks at attitudes to responsibility for financial security in retirement, housing wealth and inheritance.

3.5.4 Attitudinal barriers

3.5.4.1 Responsibility for financial security

According to the *Attitudes to Pensions* survey (Clery et al, 2009) there is relatively widespread support for self-provision in later life with 56 per cent of respondents stating that it is mainly up to individuals to ensure they have enough money to live on in retirement (52 per cent in 2006). Four in ten believe that responsibility should mainly be with the Government while just 5 per cent of respondents feel that an individual's employer should be mainly responsible. However there are some marked differences in attitudes among different socio-economic groups. Firstly, those on higher incomes seem more likely to support individual responsibility than those on lower incomes. As Table 3.4 shows, 67 per cent of respondents earning £44,000 per year or more reported that individuals should be mainly responsible for ensuring they have enough to live on in retirement compared with 45 per cent of those earning less than £12,000 per year (Clery et al, 2009).

Table 3.4 Views on who should mainly be responsible for ensuring people have enough to live on in retirement, by household income

	Income (£ per annum)				All
	<12,000	12,000-25,999	26,000-43,999	44,000+	
Who	%	%	%	%	%
Mainly the Government	46	39	35	29	38
Mainly a person's employer	7	5	4	4	5
Mainly a person themselves	45	55	60	67	56
Don't know	2	1	1	1	1
Base	265	338	340	419	1,654

Base: All respondents. Source: Clery et al, 2009, p.124

A similar pattern is found with regard to savings levels. Seven in ten (67 per cent) of those with savings of £50,000 or more suggested that individuals should be mainly responsible for their retirement income compared to four in ten (44 per cent) of those with no savings at all (Clery et al, 2009) (see Table 3.5).

Table 3.5 Views on who should mainly be responsible for ensuring people have enough to live on in retirement, by level of savings.

	No savings	Level of savings				All
		Up to £2,499	£2,500-£9,999	£10,000-£49,999	£50,000+	
Who	%	%	%	%	%	%
Mainly the Government	46	40	34	32	28	38
Mainly a person's employer	8	5	5	3	3	5
Mainly a person themselves	44	54	60	64	69	56
Don't know	1	0	1	1	1	1
Base	271	441	279	283	218	1,654

Base: All respondents. Source: Clery et al, 2009, p.124

Gender also seemed to affect attitudes with more women than men (41 and 35 per cent respectively) suggesting that it is mainly the government's responsibility to ensure an adequate income in retirement. Overall, however, it seems that support for personal responsibility has increased since 2003 when the British Social Attitudes survey found fewer respondents (36 per cent) agreeing that responsibility for retirement income should be mainly up to the person, their family or the person's employer (Sefton, 2003).

These findings indicate, then, that there is fairly widespread acceptance of personal responsibility for retirement income which fits well with an asset-based system of welfare. However housing assets tend to be viewed differently from financial assets and an increased

sense of personal responsibility does not necessarily mean that there is equal support for using housing wealth. The following section looks at attitudes to housing assets and the associated topic of inheritance.

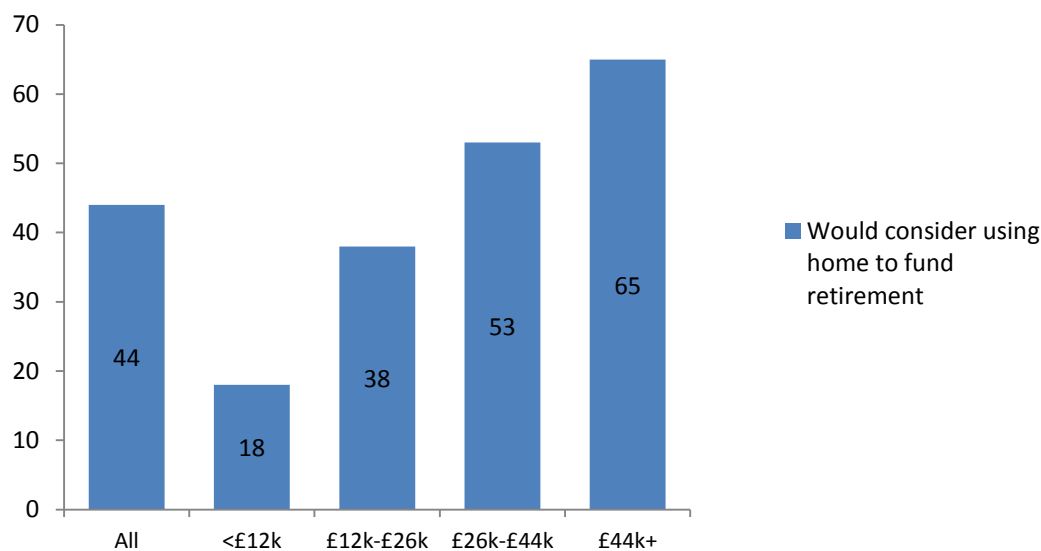
3.5.4.2 Housing wealth

In 2000, Finch and Mason found that people were not keen on the idea of using the equity in their homes to improve living standards and this was largely because they felt they had an inalienable right to their property. However, more recent research indicates that people's attitudes to the wealth tied up on their homes, and to inheritance, seem to be changing. For example, research by Smith (2004) examined people's attitudes to retirement, their financial plans and whether they might use their housing wealth in the future. She found that although the majority of respondents thought that they would rely on pensions and spouses' incomes as the main sources of retirement income, 52 per cent of mortgage holders in the 45-54 age group and 46 per cent of outright owners said they were likely to draw on housing equity. This is in contrast to 23 per cent and 37 percent of mortgage holders and outright owners in the 65-80 year old age group which indicates that support for using housing wealth in older age is greater among those who have not yet retired.

The propensity to withdraw equity also appeared to increase with socio-economic status where 51 per cent of those in group AB said they were likely do so compared with 42 per cent of respondents in class D. Smith's (2004) research therefore suggests that there is an appetite for drawing on housing equity but that attitudes are affected by personal characteristics, particularly age and socio-economic status. Older and poorer groups, perhaps those who might benefit most from drawing on the equity in their homes, are less inclined to do this than their younger and more affluent counterparts.

More recent research by Clery et al (2009) has found a similar pattern with the majority of home owners (68 per cent) reporting that they would be willing to use their homes to fund retirement but with those on lower incomes being more reluctant to do so. Over two thirds of those in the highest quartile of households incomes said that they would consider using their home to fund retirement compared to just one fifth of those in the lowest quartile (see Figure 3.9).

Figure 3.9 Willingness to use home to fund retirement, by annual household income (%)



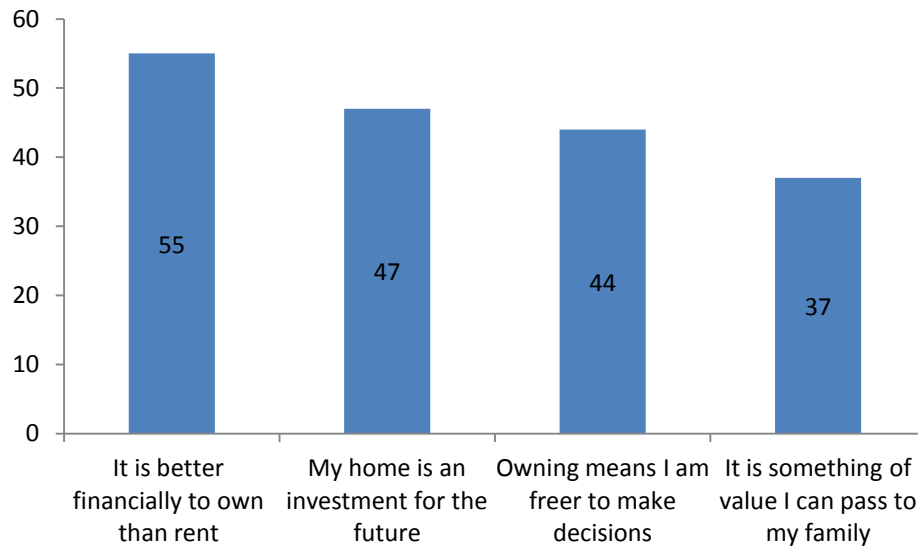
Source: Clery et al, 2009, p.73

Qualitative research with people on low and modest incomes also revealed a reluctance to draw on housing equity for the purpose of supplementing their own retirement income (Gay, 2004). Most people with children felt strongly about leaving the house as an inheritance even when the children had encouraged them to not worry about leaving a bequest. Despite such strong feelings, most interviewees did see their home as their possession not their children's and would use it if they found themselves with no other choice.

Rowlingson's (2006) research points to a more pragmatic attitude. She found that while most participants wanted to leave some of their estate as an inheritance, they acknowledged that their incomes in later life were likely to be fairly low. Rather than expecting the state to resolve this by increasing pension incomes, the participants in her study expected that they might have to draw on the equity in their homes to maintain a reasonable standard of living.

Research by Rowlingson and McKay (2005) also found that attitudes to housing wealth varied according to social characteristics. When owner-occupiers were asked about their feelings towards home ownership and presented with four statements to choose from, 55 per cent said that it was *'better financially to own than rent'* and 47 per cent opted for *'my home is an investment for the future'* (see Figure 3.10). Thus while 37 per cent felt that it was something of value they could pass on to their family and 44 per cent felt that it gave them an increased sense of autonomy, housing was primarily seen in a financial way. But those aged 70 or more, and especially those aged 80 and over, were most likely to mention the statement regarding housing being something to pass on. This was also true of lone parents, those on low incomes and those in social class E (Rowlingson and McKay, 2005). Among those least likely to choose this statement were those in their 50s, those in high income groups and those without children.

Figure 3.10 Feelings about owning a home among owner occupiers (%)



Source: Rowlingson and McKay, 2005, p.53

People's attitudes towards housing as an investment were also reflected in a further question regarding whether investing in property or paying into a pension was a better way to make financial provision for retirement. Sixty one per cent of respondents were in favour of housing compared with 26 per cent who opted for pensions. Those in their seventies and eighties were more evenly divided between housing and pensions while those in their forties and fifties were particularly positive about housing as an investment (Rowlingson and McKay, 2005). If this question were asked today the responses might be somewhat different as people have been reminded that housing is not necessarily a fail-safe route to asset accumulation and financial security.

3.5.4.2.1 Attitudes to equity release products

As indicated above, it is possible for older people in the UK to access some of the equity in their homes without having to move by using a financial product known in general terms as an equity release product, plan or scheme. However research has often shown that while certain groups seem increasingly willing to use their homes to fund retirement, this

mechanism for accessing equity remains relatively unpopular. As the table below shows, just 4 per cent of homeowners in 2009 would have considered borrowing against the value of their homes or selling a share of their property to an equity release company to provide income while the most popular option was moving to a smaller home or to a less expensive home or area (59 per cent) (Clery et al, 2009).

Table 3.6 Views on using housing equity to help fund retirement, 2006 and 2009

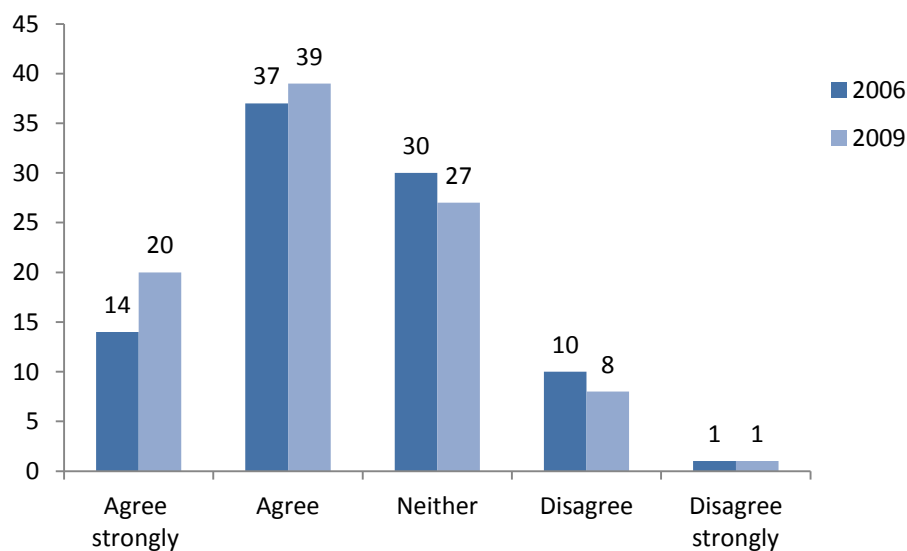
	2006 All	2009 All	2009 Home owners only
Options for using housing to help fund retirement	%	%	%
Not a home owner	33	35	
Home owners who wouldn't consider any of these options (base=all)	23	21	32
Any of the following (multiple answers permitted) of which:	44	44	
Moving to a smaller or less expensive home or area	38	39	59
Selling your home and renting	4	7	4
Borrowing against the value of your home	5	4	2
Selling a share of your home to an equity release company to provide income	5	4	2
<i>Base</i>	<i>1,950</i>	<i>1,654</i>	<i>1,072+</i>

Source: Clery et al, 2009, p.72

This low level of interest in equity release products tends to be associated with a lack of faith or trust in these products as some of them were the subject of mis-selling scandals in the late 1980s and early 1990s. Croucher (2008) found that many people were highly suspicious of these products and that they associated them with other 'scams' such as endowment mortgages and problems with pension funds that had failed to deliver the returns that people were expecting. Jones et al (2010) also found that people were suspicious of equity release products and financial services in general.

Equity release products are often also considered to offer poor value for money and the *Attitudes to Pensions Survey* (2009) suggests that public perceptions of the extent to which these products offer good value for money have become more negative over time (see Figure 3.11). As we shall see in Chapter 5, equity release products have in fact become more expensive in the last couple of years but it is difficult to know whether or not public perceptions reflect this. As Clery et al (2009) point out; it is possible that the increase in negative attitudes towards equity release products reflects an increase in negativity towards the housing market in general.

Figure 3.11 Agreement with view that equity release schemes provide poor value for money, 2006 and 2009



Source: Clery et al, 2009, p.74

Overall, it seems that attitudes towards the role of housing in later life are changing. But although people may recognise housing as a financial resource and be supportive of the *principle* of equity release (Croucher, 2008; Rowlingson, 2006), there is also evidence to

suggest that there is limited support for making use of housing wealth particularly via equity release products unless all else fails (Jones et al, 2010).

The media might portray the image of hedonistic baby boomers SKling ('Spending their Kids Inheritance') as does David Willetts (2010), the Conservative MP, who argues that the boomers do not appear to want to pass on their wealth to their children and have increasingly come to think of their house '*not just as a place to live but their own personal gold mine which could pay for holidays or cars, or be their pension*' (p.77). However, according to much of the evidence presented here it seems that for many people, housing wealth remains a safety net of last resort (Quilgars and Jones, 2010).

3.5.4.3 Inheritance

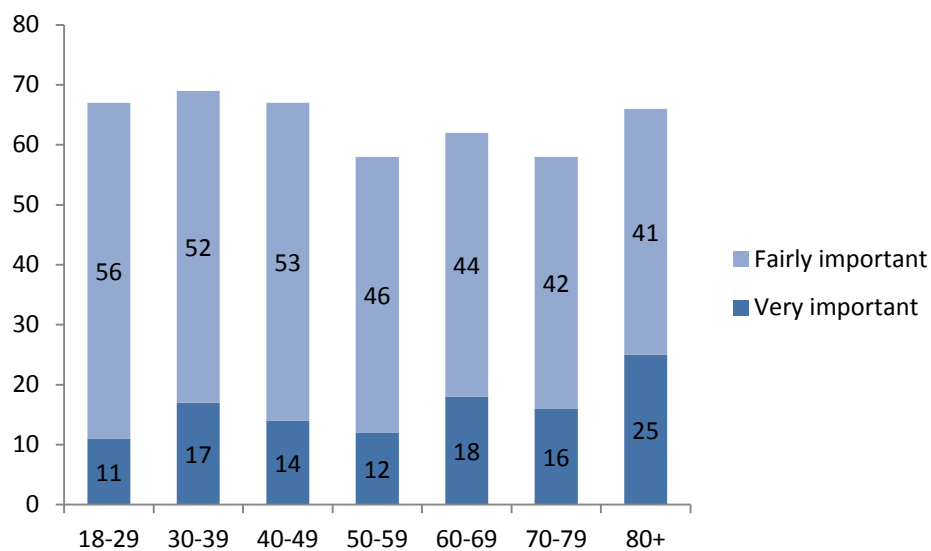
Attitudes to inheritance are of course closely associated with attitudes to assets. Those who are less likely to say they would draw on either their housing wealth or financial assets in later life may well do so because they strongly support the concept of inheritance or intergenerational solidarity. Whilst this has been touched on already this section will examine attitudes to inheritance in more detail.

Rowlingson and McKay (2005) found widespread support for not worrying too much about passing on an inheritance. Just over half (51 per cent) of the general public strongly agreed that older people should enjoy their retirement and not worry about leaving an inheritance while 38 per cent tended to agree.

As in most cases, attitudes are not equal across all sections of society and this issue is no exception. Among potential bequeathers, the 18-29 and 50-59 age groups were least likely to say that it is very important to leave an inheritance while those aged 80 and over were

particularly supportive of the concept (see Figure 3.12). The fact that older people had more of a desire to leave an inheritance is not surprising and coincides with their attitudes to home ownership. Rowlingson and McKay (2005) suggest that some of the reasons for these differences in attitudes by age include changing attitudes to money and family as people get older and also a generation or cohort effect where the baby boomers, given the environment they grew up in, have different attitudes.

Figure 3.12 Importance of leaving an inheritance by age (%)



Source: Rowlingson and McKay, 2005, p.41

Inheritance was also more important to those with children. Only 15 per cent of childless older people (over 45 and thus unlikely to have children) said they would be careful with their money compared with 27 per cent of older people with children. Lone parents and those with children still living at home were also more likely to say they would be careful with their wealth than those whose children had left home (44 per cent). Surprisingly, Rowlingson and McKay (2005) found relatively little difference in attitudes between social

classes except for the fact that those in social class E were more likely to say they would be careful with their assets (38 per cent).

Given that those from typically poorer backgrounds (lone parents and those from social class E) were most supportive of inheritance; this suggests that those with least to leave are most keen to pass on something to help future generations. Maybe they see more value in leaving something however small while those who are wealthier are probably able to both draw on their assets and pass something on (Rowlingson and McKay, 2005). Smith (2004) also found differences in attitudes to inheritance across regions where those in the south were less likely to want to leave the whole house as an inheritance. Again, this suggests that those with greater amounts of wealth (as house values in the south are generally higher) perhaps hold these attitudes because they have the ability to use some of the equity for themselves whilst still being able to leave an inheritance.

3.6 Summary

This chapter has used existing literature to examine the potential role of housing wealth in helping to fund retirement. It has shown that many older households have considerable savings tied up their homes but the distribution of this wealth tends to reflect socio-economic status and region but not need (Malpass, 2008). Those most in need of additional resources either do not own their own homes or have low levels of housing wealth. There is a small, and perhaps increasing, number of older people who may be 'house-rich, income-poor' and housing assets could play an important role in maintaining or improving their living standards. However, they do not make up the majority of home owners. Thus the uneven distribution of housing wealth arguably presents one of the most significant

limitations to its use in relation to welfare. Among those who do have housing assets, there are also potential problems when it comes to accessing housing wealth and these seem to be more pronounced for poorer groups.

This chapter has also shown that attitudes to financial security, housing wealth and inheritance are changing, with more people willing to accept a greater degree of responsibility for their income needs in later life; to see their homes as assets and to take a more pragmatic or dual approach to inheritance. To some extent, therefore, these findings match well with the concept of an asset-based welfare state (Quilgars and Jones, 2007). However, the evidence also suggests that old age groups and those from poorer backgrounds are least likely to view their home as a financial resource; it seems they would rather pass it on as a bequest. These findings do not support moves towards welfare systems based on personal assets.

For governments, the aim has been to increase asset-holdings and expand home ownership on the assumption that people will be able to provide their own safety net and reduce the need for state welfare. For individuals and households, it means that those in greatest need of additional resources are least likely to be able to acquire them in the first place or be able or willing to benefit from them later on. In this sense poorer groups stand to lose in a system where assets, including housing assets, are increasingly relied upon to provide a decent standard of living while better-off groups will continue to benefit.

Having reviewed the literature on the potential of housing assets in later life it is clear that it provides a number of important insights but that there is relatively little evidence on the direct experiences of home owners. These are likely to be equally important if not more

important for highlighting the opportunities, limitations or indeed risks of this strategy. This is why the research carried out for this thesis focuses on older people's use of housing equity and asks questions which have hitherto been underexplored in debates about housing wealth and its role in relation to welfare. As already mentioned, there has been some academic research in this area (Davey, 1996; Fleiss, 1985; Leather and Wheeler, 1988) but it is now dated. The thesis therefore takes a renewed look at the extent to which older people are drawing on their housing equity, why they are doing this and how they feel about it. The following chapter discusses the methodology used to undertake this research.

4 METHODOLOGY

4.1 Introduction

This chapter presents the research strategy and the specific methods used to investigate the role of equity release in later life. We saw in the previous chapter that while a small amount of research in this area exists; it has rarely focused on the experiences and attitudes of equity release customers. As such, we know relatively little about the role that these products play in practice. The research undertaken for this thesis was therefore designed to address this gap.

The research questions were answered using a combination of quantitative and qualitative methods and the aim of this chapter is to explain why a mixed methods approach was adopted and how it was carried out. There has been some debate about the possibility of combining research methods with some academics arguing that mixed methods research is not feasible. They argue that quantitative and qualitative research methods are associated with two distinct paradigms that cannot be combined (e.g. Brannen, 2005; Guba and Lincoln, 1985; Sale et al, 2002). This is often referred to as the incompatibility thesis. The first part of this chapter therefore argues against this thesis and discusses the ways in which mixed methods research can be seen as a viable option for social enquiry.

The second part of the chapter outlines the research questions and the rationale for using both quantitative and qualitative methods in this particular study. The discussion centres on the importance of achieving a question-method fit and sets out how the data from each

method were used. The final part of the chapter discusses, and reflects on, the quantitative and qualitative phases of the research including design, fieldwork, analysis and ethical issues.

4.2 Mixed methods as ontologically and epistemologically viable

Mixed methods research involves the collection, analysis and mixing of both quantitative and qualitative data (Cresswell and Plano Clark, 2007; Greene et al, 1989). But there are debates about whether different research methods can be combined. These debates tend to be based on methodological arguments due to the fact that qualitative research methods are often associated with constructivism while quantitative methods continue to be linked with positivism (Bergman, 2008). In other words, the argument against mixed methods research tends to be based on the idea that quantitative and qualitative research methods fall within separate paradigms which involve opposing assumptions about the nature of the social world and appropriate ways of producing knowledge about. This perspective is known as the 'purist stance' or the 'incompatibility thesis' (Brannen, 2005; Guba and Lincoln, 1985; Sale et al, 2002) As Bergman (2008, p.12) argues, it *'presents one of the hurdles to be overcome in order to make mixed methods designs ontologically and epistemologically viable'*.

Bergman (2008) argues that it often seems that quantitative and qualitative methods belong to different paradigms because many people classify the differences between quantitative and qualitative research on epistemological and ontological grounds. But when social research is examined in practice, he, and others (e.g. Bryman, 2004; Silverman, 2005) argue that it is hard to maintain the division along these lines. For example, it cannot or, should not, be said that survey research, often involving the use of a questionnaire, necessarily implies a

commitment to a natural scientific model or that qualitative methods are synonymous with interpretivism. Indeed there are many areas of overlap and commonality between them (Bergman, 2008; Bryman, 2004).

Firstly, the natural sciences are often characterised as necessarily or inherently positivist (Bryman, 2004) but positivism represents only one version of the nature of the natural sciences with conventionalism or realism being others (Keat and Urry, 1975). There are also issues with associating natural science methods solely with quantitative research as qualitative research often entails elements that would normally be associated with a natural science model (Bryman, 2004). For example, empiricism, or elements of it, can often be detected in qualitative research in the sense that many writers emphasise the importance of direct contact with social reality. As Bryman (2004, p. 439) argues, *'the very idea that theory is to be grounded in data seems to constitute a manifesto for empiricism'*.

Furthermore, while quantitative research tends to be seen as focused on a specific, tightly defined problem, qualitative research can also be employed to investigate very specific questions. Therefore it is not only quantitative research that focuses on hypothesis and theory testing or takes an entirely deductive, rather than inductive, approach to research (Bryman, 2004, p.439). Indeed many surveys are largely descriptive and some quantitative research is explicitly concerned with theory generation (Aldridge and Levine, 2001). Bergman (2008) also argues that not all statistical analyses are about the formal testing of hypothesis with large representative datasets. Equally, research using methods that are typically associated with interpretivism may be based on theory testing.

A well-known article on participant observation was designed to show how to design a study using this method which seeks to discover hypotheses as well as test them (Becker, 1958 cited by Bryman, 2004). In reality, then, it seems that few studies are strictly inductive or deductive. They usually contain elements of both. As Hammersley (1992, p.48) asserts, *'all research involves both deduction and induction in the broad sense of those terms; in all research we move from ideas to data as well as from data to ideas'*.

Another typical divide that is made between quantitative and qualitative research is that quantitative researchers are concerned with behaviour while qualitative researchers are concerned with meaning. But quantitative research often involves investigating people's attitudes which suggests that quantitative researchers are interested in what people think as well as what they do (Bryman, 2004). Qualitative researchers may argue that the tendency for attitude scales to be pre-formulated, gearing respondents towards limited categories of answer, means that they do not really gain access to meanings. But as Bryman (2004) argues, the point is that at the very least quantitative researchers frequently try to address meanings and qualitative researchers are also often interested in what people do. However they may investigate these things in different ways.

All of this suggests that the traditional gulf that is seen to exist between quantitative and qualitative research with the two belonging to different paradigms (positivism or at a least a natural science model and interpretivism respectively) should not be overstated. Thus while Blaikie (1991, pp. 126 and 128) and others ascribe 'ignorance or misunderstanding' to those who fail to 'recognise' the ontological and epistemological differences built into different methods, I am inclined to follow those who argue that the connections that are often

associated between ontology and epistemology on the one hand, and research method on the other, are best thought of as tendencies rather than definitive or necessary connections (e.g. Bergman, 2008; Bryman, 2004; Greene et al, 1989; Grix, 2004; Hammersley, 2008).

We should therefore refrain from creating taxonomies about the possibilities and limits of qualitative and quantitative methods (Bergman, 2008). The choice of which to use should be guided by research questions (Bryman, 2004; Bergman, 2008; Grix, 2004; Punch, 1998).

Having demonstrated how the potential barrier to mixing methods on ontological and epistemological grounds can be overcome, the following section looks at the different methods that were used in this study and the reasons for employing them.

4.3 The rationale for mixing methods

Despite a number of demographic, economic and political trends that have contributed to debates about the role of housing in meeting welfare needs in later life, we saw in the previous chapter that to date, and, particularly within the academic literature, very little attention has been paid to how and why older people are using their housing equity. This gap in our knowledge led to the following overall research question: **What role do equity release products play?** In seeking to answer this question a number of sub-questions were also relevant and different methods were used to answer them (see Table 4.1) (Appendix 4.1 also contains the research questions and a detailed explanation of what is meant by each of them).

Table 4.1 Research questions and the methods used to answer them

Research questions	Sources/methods used to answer the research questions
What role do equity release products play?	All of the sources listed below were used to answer this overall question.
What is equity release and how widespread is its use?	Desk research was carried out to answer this question by drawing on data and information on equity release products and the scale of markets in the UK and elsewhere.
What kinds of older people use equity release products, why do they do so and how do they feel about using them?	There is some industry data on the age profile of customers and what they spend the money on but it is otherwise limited. There is also very little, up to date, academic data. Therefore the main sources used to answer these questions were data from the survey and the follow-up interviews conducted for this study.
How, if at all, has this changed over time?	Many of the questions or topic areas used in a previous study on equity release (Davey, 1996) were also used in this study to provide broad indications of changes in the characteristics of customers and their reasons for using equity release products.
What are the implications of these findings for the role of equity release products in relation to welfare?	The empirical and desk-based research findings combined with the literature review were used to shed light on this question.

The rationale for combining desk research with a survey of equity release customers and semi-structured interviews was based on achieving a question-method fit. There was no need to carry out empirical research to answer the question ‘what is equity release and how widespread is its use?’ because data and information already existed on it. However as we have already seen, there is very little existing data on the socio-economic characteristics, experiences and attitudes of equity release customers. To find out about them, empirical research was necessary.

In order to answer the question: ‘what kinds of people use equity release products, why do they do so and how do they feel about them’, it was appropriate to use both quantitative and qualitative methods so that it was possible to obtain a (potentially) representative profile of equity release customers but also an understanding of the factors underpinning participant’s use of, and attitudes to, equity release products.

Extensive research methods, like surveys, are particularly suited to identifying the regularities or common patterns and distinguishing features of a population and allowing findings to be generalised (Aldridge and Levine, 2001) while more intensive research methods, such as in-depth interviews, can be particularly useful for seeking and providing explanations (i.e. examining the reasons for, or associations between, what exists). Indeed while responses to open-ended survey questions can provide important insights into people's attitudes and motivations, there is a limit to how much respondents can or are willing to write on a questionnaire (Aldridge and Levine, 2001). As qualitative research has the facility to examine research subjects in depth, *'it provides a unique tool for studying what lies behind, or underpins, a decision, attitude, behaviour or other phenomena'* (Ritchie, 2003, p. 28).

Essentially, therefore, the main aim of the survey was to identify 'what' kinds of people used equity release products, 'what' decisions they had made and 'what' their attitudes were, while the interviews were used to obtain more detail on, and some of the reasons for, these findings. Thus the two phases in the study were not carried out in order to address different research questions or to corroborate findings but rather to produce different types of data on the same topic. Together, the data provided a better understanding of the role that equity release played in people's lives.

Combining quantitative and qualitative methods in this particular way is known as a 'sequential explanatory design' in the mixed methods literature (Creswell and Plano Clark, 2007). It is a two-phased design with the purpose of using qualitative data to explain and/or expand upon initial quantitative results (Creswell and Plano Clark, 2007). The design is also

useful for using participant characteristics to guide purposive sampling for a qualitative phase (Creswell et al 2003) and the survey in this study was also used for this purpose as we shall see later on in the chapter.

The following sections look at the quantitative and qualitative research conducted for this study in more detail and reflect on some of the key issues that arose during the process.

4.4 Phase 1 - Quantitative research

4.4.1 Questionnaire design and methodology

The first step in the quantitative phase involved designing the questionnaire (see Appendix 4.2 for questionnaire). The questions were informed by the literature review and research questions. They were therefore designed to provide a profile of equity release customers and their reasons for using the products, information about their experiences of using them and their attitudes to associated topics such as inheritance and responsibility for financial security. Questions which had previously been asked in surveys such as the *Attitudes to Pensions Survey* (2006) and *Attitudes to Inheritance in Britain* (2005) were included along with new questions designed specifically for this survey.

The questionnaire from a previous study of equity release customers carried out by Judith Davey in 1995 was also used to inform the content of the questionnaire with the intention of producing broadly comparable data. However Davey's questionnaire was largely made up of open questions (see Appendix 4.3) in contrast to mostly closed questions used in the questionnaire for this study. This had implications for the extent to which reliable comparisons could be drawn and will be discussed later on in this chapter.

Two of the questions relating to the type of products people had taken out and the channels that they had used to do this were included mostly to get 'buy in' from the equity release industry who were keen for this type of data to be gathered so that it could be related, if necessary, to the data on customer satisfaction. While these questions were not essential for addressing the research questions and I was concerned to keep the length of the questionnaire to a minimum, some of the companies had indicated they would not be willing to participate unless these were included. This situation provided valuable experience of having to balance the interests of different stakeholders in order for the research to progress while also trying to stay focused on the main aims of the research.

Having finalised the content of the questionnaire, a decision had to be made on how it would be conducted. A number of factors immediately ruled out a face-to-face option. The most obvious of these was a lack of resources. However it became apparent later on that even if time and budgets had enabled me to carry out the survey in this way, the companies that were relied upon to provide access to participants would not have been willing to supply the necessary contact details.

A self-completion postal survey was chosen rather than a telephone survey for many of the same reasons but also because respondents could complete the questionnaire in their own time which gave them more opportunity to provide considered responses and allowed the questionnaire to be slightly longer than it might otherwise have been. This method is also less intrusive and this was a fairly important consideration given that a large part of the questionnaire was about money and respondents' financial circumstances. However, when employing a research method that does not involve the presence of the interviewer it is vital

that questions are clear and easy to understand because the researcher is not on hand to provide explanations (Kumar, 1999). Respondents may misunderstand or interpret the questions in a way that the researcher did not intend. If this occurs then the answers respondents provide will be less valuable. Likewise, if a number of respondents understand a question differently from each other, the answers will be more difficult to compare (Grix, 2004). Attempts were therefore made to ensure that the questions were designed as clearly and unambiguously as possible. Piloting the questionnaire was one of the ways of doing this.

4.4.1.1 Pilot

It was important to pilot the questionnaire before the main fieldwork to see if the respondents were likely to interpret the questions as I intended but also to see if they had any problems reading the questionnaire or any issues with the general style and layout.

With the help of Age UK, an e-mail was sent to 2,000 older people on one of their data bases asking for willing, eligible, participants to test the questionnaire (i.e. those with an equity release plan). Just eight responses were received. Each respondent was contacted by telephone (with their permission) after they had returned the questionnaires to discuss any issues or comments that they may have had. None of the pilot participants indicated that they had problems reading the questionnaire and all felt that the layout was satisfactory. The responses did, however, indicate that two questions had not been interpreted as I intended and so the necessary amendments were made before the main fieldwork. As the pilot was on a very small scale, however, it might explain why the biggest problem that arose during the fieldwork did not arise during this stage. That is, relatively widespread misinterpretation of the following question:

How far do you agree or disagree with the following statements?

Taking out an equity release plan was a last resort.

I/we couldn't do without the money from the equity release plan.

Taking out an equity release plan has enabled me/us to have a more enjoyable retirement.

Alongside each of these statements were scales ranging from strongly agree to strongly disagree. I intended for respondents to tick how far they agreed or disagreed with each statement but many seemed to respond only to the statement that best described their attitudes. On reflection, if I had simply asked 'How far do you agree or disagree with *each* of the following statements' the problem may not have occurred.

This issue highlighted that misinterpretation can occur no matter how much the question makes sense or is obvious to the designer. I would therefore ask a variety of people to pilot a questionnaire in future even if they were not from the target population. Many different people did, of course, examine the questionnaire including experienced survey researchers at Age UK but this particular issue was not identified.

4.4.2 Sampling, gaining access to survey participants and data collection

The sample for the survey would have ideally been drawn using probability or random sampling methods so that the findings could have been generalised to the wider population of equity release customers. However this was not possible not least because of the absence of a sampling frame. This meant having to rely on accessing the customer data bases of SHIP (Safe Home Income Plans) members which involved gate keeping and a number of other issues. SHIP is the UK trade body for equity release and now represents around 84 per cent

of the regulated market in terms of volume but it represented about 90 per cent of the market at the time of survey. I was put in touch with the Director General of SHIP by my contact at Age UK who then issued an information letter to each member on my behalf. It explained the purpose of the research and asked for their assistance (see Appendix 4.4 for sample letter). Of the (then) 21 members, only four agreed to participate. These included one of the biggest players in the market who are a broker and so offer plans from the whole of the market, the leading home reversion company (home reversions are one of the two main types of equity release product), one of the UKs leading insurers, and a smaller, specialist equity release company.

The reluctance of long-standing companies to take part, with only relatively new entrants willing to participate, meant that changes over time in customer characteristics and their reasons for using equity release products were more difficult to measure. I therefore had to rely mainly on comparisons with Davey's (1996) study. Having said this, we shall see in the next chapter that the market peaked in 2007 and so the majority of existing equity release customers are likely to be relatively new. Therefore the survey sample which was largely made up of customers who had taken out equity release plans within the last five years may represent the profile of actual customers.

As it was necessary to rely on the Director General of SHIP to make the initial contact with providers, it meant that gaining access proved to be a long, drawn-out, process with delays experienced at every stage. Once the necessary information had been administered to the members, numerous phone calls and emails were required to obtain information on how many companies were willing to take part.

After gaining agreement from the four companies mentioned above, somewhat naively, perhaps, I assumed that the process of administering the questionnaire would run smoothly but the proceeding stages also proved to be challenging. One of the companies, for example, took 9 weeks before they finally administered the questionnaire following continued phone calls, emails and general persistence on my part. Overall, the fieldwork for the quantitative phase took three months. It began at the end of June 2009 and was completed by the end of September 2009.

Due to data protection issues it was decided that the companies would send out the questionnaires to an agreed number of their customers. I arranged the administration of the survey and sent the questionnaires to each company who included their own covering letters before posting them to their customers. The numbers varied from one company to another depending on how many they would agree to. There was very little time involved on their part and virtually no cost, but even on this basis one of the companies would only send out 200 questionnaires. Two other companies sent 550 and 600 respectively while the fourth company would not send out the questionnaires without writing to their customers beforehand asking if they would be willing to participate.

This was an issue with all companies initially, but as this would have added another time consuming stage to the process I managed to negotiate what was essentially an opt-out method. All companies understandably wanted to include their own covering letter along with the one from Birmingham which was seen and approved beforehand. The fourth company eventually sent my covering letter to their most recent customers which produced just 10 participants. This company has since withdrawn from the equity release market.

Given that response rates to postal surveys are typically lower than comparable interview-based studies (Bryman, 2004), I was aware that a sample of 500 cases (the intended sample size) was unlikely to be achieved by relying only on the number of questionnaires sent out by the companies that had agreed to participate. This was despite efforts being made to maximise response rates. These included using an appropriate layout, font size and style that made for easy reading of the questionnaire given the potential for impaired vision among equity release customers who are, on average, 71 and over according to the Financial Services Authority (2008). As Bryman (2004) argues, shorter questionnaires tend to achieve better response rates than longer ones so keeping the questions to a minimum without jeopardising the content was also an important consideration.

The covering letter was also designed to be as friendly as possible, highlighting the importance of participation to prospective participants and how the findings would be used, sponsorship by Age UK, and guarantees of confidentiality (see Appendix 4.5 for an example of the covering letter). Stamps and white envelopes were also used to provide a more personal touch and to reduce the possibility of the questionnaires being mistaken for junk mail. Stamped addressed envelopes were also included so that respondents could easily return the questionnaires. Although reminders, along with further copies of the questionnaire, are known to play an important role in generating extra responses (Aldridge and Levine, 2001), the budget did not allow for these to be administered.

Age UK helped to increase the sample size by contacting members on two of their data bases to see if they had equity release plans and would be willing to participate in the research. Those that were eligible replied directly to the University of Birmingham and were

subsequently sent a copy of the questionnaire along with a covering letter and stamped addressed envelope. This method produced a further 167 participants and so proved fruitful in increasing the sample size.

Overall, then, 1527 questionnaires were sent out and a total sample size of 553 was achieved with a response rate of 36 per cent. The table below provides a breakdown of the number of questionnaires that were sent out, the number received, and the resulting response rates. The response rates for company A, B and C were very similar, suggesting that differences between the customers of these companies are small. Those from company D, and for whom the company was unknown, (i.e. those on Age UK's database) were much more likely to respond because they were a self-selected group.

Table 4.2 Survey response rates

	Number of questionnaires sent out	Number of questionnaires received	Response rate %
Company A	550	175	32
Company B	600	189	31
Company C	200	52	26
Company D	10	10	100
Unknown	167	127	76
Total	1527	553	36

As the sample for this study was drawn from a variety of sources and was, essentially, a convenience sample, the survey findings cannot necessarily be considered representative of all equity release customers. This should be borne in mind when interpreting the results contained in Chapters 6 and 7.

Having said this, there was very little industry data that could have been used to draw comparisons. Where this was available, there was broad consistency between the two (as we shall see in Chapter 6). For example, many of the ways in which respondents were using the money from their equity release plans and the percentage of those who were doing so were very similar (sometimes identical) to the figures reported by the industry at the time. This increases the degree of confidence in the representative nature of the sample.

4.4.3 Ethical issues

Although ethical issues are sometimes considered to play more of a role in qualitative rather than quantitative research given that it has the potential to intrude more deeply into people's lives (Punch, 2000), quantitative research is obviously not void of ethical considerations and it was important to consider a number of ethical issues in relation to the quantitative stage in this study. These included issues of confidentiality, privacy and informed consent. Firstly, it was important to make clear to all potential participants what the purpose of the survey was, how the information would be used and stored, that the information they provided would be confidential and that they had the right to withdraw any information that they had given at a later date. All of these issues were covered in the letter that accompanied the questionnaire (Appendix 4.5).

In order to ensure that respondents were accurately informed of the purpose of the research, I also felt it was necessary to check the content of each of the companies' covering letters. There was one instance where I requested that this was changed so that it reflected the purpose of the research more accurately and that the information respondents were being given was not misleading.

In order to give respondents the opportunity to withdraw any information they had given, it was necessary to include a reference number on each questionnaire which corresponded with the number on their covering letter. They could then quote this number enabling me to trace their data and withdraw or change it if necessary. Contact details were also provided in case respondents had any other questions or queries about the research and/or their involvement.

Having surveyed over 500 people I was in possession of a lot of personal information that could, in many cases, be traced back to the individual who had provided it. This is because at the end of the questionnaire respondents were asked if they would be willing to take part in a follow-up interview. If they were, they were asked to give their permission along with their name and contact details and many were willing to provide these details. All questionnaires were therefore kept in a locked cabinet during the course of the research and data files with personal details (e.g. mail merge lists and address label documents) were (and remain) password protected. The Institute of Applied Social Studies Research Ethics Committee that provided ethical clearance for this research did not state that it was necessary to destroy the information after a certain period and thus the questionnaires remain in locked storage and are likely to be used for future research.

The companies that took part were assured that they would not be identified and so company names were not mentioned in the publication of the report for Age UK (Overton, 2010) and they remain anonymous in this thesis.

4.4.4 Quantitative data analysis

Before beginning the analysis it was of course necessary to prepare the data by creating an appropriate file and inputting the survey data. This was done using SPSS version 17. Having already coded the questionnaire I was able to input the information as soon as the questionnaires were returned. Once this stage was complete, I checked the data set for entry errors by running frequency counts on variables and making the necessary amendments to any obviously incorrect values.

The first stage in the analysis involved exploring the data to get a feel for the broad patterns and trends that were emerging and to see which variables might need recoding in order to conduct meaningful and reliable analysis. The descriptive and inferential analysis that followed was theoretically driven, or, in other words, informed by the research questions and so focused on the characteristics and attitudes of customers, their attitudes to equity release and associated topics and what they did with the money. Changes over time in characteristics and use of equity release were also looked for but the ability to do this via association with when respondents took out their plans was limited given that so few respondents had taken their plans out six or more years ago. Relying on comparisons with the findings from Davey's (1996) study was therefore the main way of doing this but again, the reliability of the comparisons was limited.

In attempting to shed light on the overall question 'what role do equity release products play' I also focused on the impact of equity release on respondents' standard of living, why they had used equity release as opposed to other forms of raising the money, what their income level and income and wealth sources were and so forth. With the emerging idea that equity release products played multiple roles, cluster analysis was carried out to see if a

typology of equity release customers could be developed on the basis of how and why they used the products and whether or not their socio-economic characteristics and circumstances seemed to be related to this.

Cluster analysis is essentially a classificatory tool used to group cases (people in this instance) based on the similarity of their responses to several questions (Field, 2000). There are different methods that can be employed and the choice of which partly depends on the nature of the data one is using (e.g. whether it consists of mainly categorical or numerical variables or a mixture of both) and the size of the data set and (Everitt, 1993). Two-step cluster analysis was used rather than a hierarchical method because all of the variables were categorical and the outputs (dendrograms) produced from the hierarchical method were too unwieldy given the number of cases. As I was primarily interested in identifying groups or clusters on the basis of the role of equity release, the variables relating to this were used in the cluster analysis and then the resulting clusters were cross-tabulated with socio-economic variables.

4.5 Phase 2 – Qualitative research

4.5.1 Designing the interview guide

Having analysed the quantitative data, I began the final, qualitative phase in the research. As indicated earlier, the main purpose of this stage was to add detail to or expand upon some of the quantitative findings and to further understanding and explanation of some of these findings. Therefore, the interview guide was developed using largely the same areas of inquiry as those included in the questionnaire (see Appendix 4.6).

The interviews were semi-structured, comprising a mixture of open and closed questions as appropriate. This allowed me to pursue pre-determined areas of interest but it also enabled the interviewees to talk about what was important to them and to discuss their experiences and attitudes from their own perspectives and in their own words. The flexible nature of the interviews also meant that I was able to follow new leads or unexpected lines of enquiry as they arose.

4.5.2 Sampling

The cluster analysis that had been carried out as part of the quantitative analysis was used to select participants for interview. Having identified three groups of people for whom equity release appeared to play different roles, individuals were then selected from each of these clusters. Rather than selecting them at random they were purposively selected on the basis of 'best fit' with cluster characteristics. Those that were chosen also had to have given their permission to be contacted for interview. Fortunately, the majority of survey participants had agreed to take part so the sampling for this phase could be driven more by theoretical concerns rather than convenience.

Thirty individuals were selected for interview (ten from each cluster) and 26 took part in total. From Cluster 1 there were 9 participants, from Cluster 2 there were 8 participants and from cluster 3 there were also 9 participants. Table 4.2 provides a profile of the interviewees in terms of how many of them were in different age groups, whether they were living as part of a couple or on their own and whether or not they had children.

Table 4.3 Interviewee profile

Characteristics	Number of interviewees
Age	
Under 65	1
65-69	8
70-74	5
75-79	6
80 and over	6
Living arrangements	
Couples	17
Singles	9
Children	
Yes	19
No	7

Table 4.3 provides further details on the socio-economic characteristics of each of the interviewees from Clusters 1, 2 and 3. Where this information is central to the point being made or story being told about a particular interviewee's experiences or attitudes; it will be detailed accordingly in Chapters 6 and 7. However this table also provides a useful reference point which can be referred back to, if necessary, when reading the empirical findings presented in Chapters 6 and 7.

Table 4.4 Interviewee details

C1	Interviewees	Age	Age at plan	Marital status	Children	Income	House value
	Mr E	77	75	Married	Yes	£20,000-24,999	£500,000+
	Ms W	68	67	Single	No	£15,000-19,999	£350,000-399,999
	Mr G	80	76	Married	Yes	£25,999-29,999	£450,000-499,999
	Mr J	72	70	Married	Yes	£15,000-19,999	£250,000-299,999
	Mr C	73	70	Married	Yes	£15,000-19,999	£200,000-249,999
	Mr B	80	78	Widowed	Yes	£10,000-14,999	£250,000-299,999
	Mr A	76	72	Married	Yes	£30,000+	£400,000-449,999
	Mrs B	80	79	Widowed	Yes	£10,000-14,999	£200,000-249,999
	Mr L	68	67	Married	Yes	£20,000-24,999	£250,000-299,999
C2	Mr W	68	65	Married	No	£30,000+	£500,000+
	Ms S	67	65	Cohabiting	Yes	£15,000-19,999	£250,000-299,999
	Miss S	69	66	Single	No	£10,000-14,999	£100,000-149,999
	Mr M	78	75	Single	No	£10,000-14,999	£300,000-349,999
	Mrs H	68	65	Married	Yes	£5,000-9,999	£200,000-249,999
	Mr S	66	66	Married	Yes	£30,000+	£250,000-299,999
	Mrs C	71	68	Widowed	Yes	£10,000-14,999	£250,000-299,999
	Mr Y	83	77	Married	Yes	£30,000+	£300,000-349,999
C3	Mr T	70	69	Married	Yes	£25,999-29,999	£300,000-349,999
	Mr H	73	68	Married	Yes	£10,000-14,999	£100,000-149,999
	Mr R	80	78	Married	No	£5,000-9,999	£200,000-249,999
	Ms C	83	71	Single	No	£5,000-9,999	Under £100,000
	Ms B	69	65	Divorced	Yes	£15,000-19,999	£200,000-249,999
	Mr D	75	74	Widowed	Yes	£10,000-14,999	£200,000-249,999
	Mrs W	63	61	Married	No	£15,000-19,999	£150,000-199,999
	Mrs O	62	62	Married	Yes	£10,000-14,999	£100,000-149,999
	Mrs D	77	69	Married	Yes	£10,000-14,999	£100,000-149,999

4.5.3 Telephone interviews

Although it is more common for qualitative interviews to be conducted face-to-face rather than by telephone in academic social research, the interviews were carried out over the telephone for largely practical reasons. As the interviewees were geographically dispersed, (from Scotland to the South Coast) interviewing them by telephone was much cheaper and quicker than if I had done so face-to-face. There are, however, certain limitations to interviewing over the telephone.

One of the biggest concerns I had was that according to some evidence, this type of interview fares less well for asking questions about sensitive issues such as income (Shuy, 2002). Although the interviews did not necessarily involve direct questions about respondents' income level (given that I had already obtained this information from the questionnaire) they inevitably involved discussion about their financial situation. This was likely to be a particularly sensitive issue for those who were in financial difficulty.

What I found, however, was that those experiencing financial difficulty were particularly willing to talk openly about their circumstances, divulging, for example, how much income they received, how much debt they were in and how this was affecting them. Perhaps, then, the distance afforded by telephone interviewing encouraged or enabled people to be more open and honest rather than feeling the need to provide socially desirable answers. There were one or two interviewees who were more reserved in their responses to questions about their financial circumstances but no one refused to answer these questions.

Another concern I had with interviewing via telephone was that respondents with hearing impairments were likely to find this method more difficult than face-to-face interviewing

(Bryman, 2004). Given the ages of some of the people I intended to interview, this was potentially a problem and in one case the interview could not be carried out because of the respondents hearing difficulties. Ideally I would have visited this person to carry out the interview but as they were in the North East this was difficult to achieve within a limited time frame.

Telephone interviews are also known to be shorter than face-to-face interviews; typically no more than 20-25 minutes (Frey, 2004) and I found that the interviews tended to last no longer than this. On average they lasted 24 minutes. Apart from on one occasion, however, I did not feel that any of the interviews were cut short or would have benefited from lasting longer. Having said this, face-to-face interviews may have proved superior had they been feasible. However one of the biggest advantages of telephone interviews is that they afford speed, efficiency and cost effectiveness. I was able to carry out three or four interviews a day at very little cost. The fieldwork for this phase was carried out in January 2010 and took just two weeks. It therefore ran a lot more smoothly than the quantitative phase.

4.5.4 Ethical issues

The respondents that were selected for interview were sent a letter to thank them for agreeing to take part and, as with the letters that were administered with the questionnaires, they detailed the purpose of the interview, how the information would be used and confidentiality (see Appendix 4.7 for example letter). At the time of the interview participants were again told that any information they provided would remain confidential and with the interviewees' permission, all the interviews were recorded.

Given that the interviews had the potential to cause anxiety among participants if they were concerned about their financial situation or equity release plan, with Age UK'S permission, I ensured that an appropriate help line could be given to respondents if necessary.

At the end of the interviews, the participants were asked if they would like to make any other comments or if they had any questions. I informed them that the research was due to be published later that year by Age UK and as a way of saying thank you for their time each participant was asked if they would like a copy of the report.

Participants' data was anonymised during the writing up stage of the research and the quotations used did not contain identifying information. Quotations were selected to illustrate, rather than to provide evidence of, the points being made. In the empirical findings chapters (6 and 7), quotations from interviewees are followed by their title and last initial. Quotations taken from open responses written by survey participants could not always be identified in this way and are therefore simply identified as either male or female survey participants.

4.5.5 Qualitative data analysis

All of the interviews were recorded and subsequently transcribed. The transcripts were then read through thoroughly in order to become familiar with the data and to identify key themes. These themes, which largely reflected the topic areas covered in the interview guide, were then used to develop an index which contained the main themes and numbered subthemes (see Appendix 4.8). The index was then applied systematically to each of the transcripts.

Having organised the data, I constructed thematic charts where the data relating to one particular theme and its associated subtopics were plotted (in a summarised form if necessary) on a separate chart, where each respondent was allocated a separate row in the chart while each subtopic was displayed in a separate column. By doing this, I followed the framework analysis method developed at the National Centre for Social Research (Ritchie and Spencer, 1994; Ritchie and Lewis, 2003).

With material on the different themes located in this way I was able to unpack the nature and content of a particular theme, becoming very familiar with it, and noting the range of responses in relation to that particular theme in terms of attitudes, experiences and decisions. The next step involved looking for similarities and differences (at the individual case level, but also within and across clusters) in relation to these attitudes, experiences and decisions, and the possible explanations for them. With the quantitative cluster analysis identifying that equity release played different roles for different groups, one of my main concerns for the qualitative analysis was to find out more about these and the reasons for them. Examining differences in financial and personal circumstances between the subgroups (or clusters) was one way of doing this.

4.6 Summary

This chapter has discussed the research strategy and specific methods used to explore the role of equity release in later life. Initially, however, the chapter set out the way in which quantitative and qualitative methods are ontologically and epistemologically viable if we see research methods as separate from research paradigms and instead base our choice of methods on what we are trying to find out. Of course ontological and epistemological

positions are often linked to research methods but it is argued that these should be seen as tendencies rather than definitive connections (Bergman, 2008; Bryman, 2004; Grix, 2004).

In following this argument, mixed methods were used because of the nature of the research questions that the thesis aimed to address. It was not necessary to carry out empirical research in order to answer one particular question. However, the combination of a survey with semi-structured interviews provided the most appropriate way of finding out what kinds of people use equity release products, why they do so and how they feel about them. The survey enabled me to obtain a profile of equity release customers while the follow-up interviews were used to expand on some of the quantitative results and obtain a better understanding of the factors underpinning participants' use of equity release products.

This chapter has also detailed the fieldwork process which was clearly challenging at times particularly during the first, quantitative phase. Overall, however, it proved to be successful in terms of generating the necessary quantitative and qualitative data required to answer the research questions. The following three chapters provide an analysis of the data in relation to these questions.

5 WHAT IS EQUITY RELEASE AND HOW WIDESPREAD IS ITS USE?

5.1 Introduction

This is the first of three findings chapters which answer the research questions. This particular chapter is different from the following two in the sense that it is based on desk research rather than empirical investigation. The data and information that was required to answer the question ‘what is equity release and how widespread is its use’ already existed, therefore it was not necessary to carry out empirical research.

Equity release can refer to any mechanism or strategy for converting housing wealth into liquid assets but this thesis focuses on equity release products that are specifically designed for older home owners. The aim of this chapter is to provide information on these products and the extent to which they are used in order to determine, in part, their existing and potential role. This chapter is located prior to those based on the empirical findings because it is useful to understand how equity release products work and what the scale and nature of the market is before finding out why people use these products and how they feel about them.

The first part of this chapter explains what is meant by equity release and provides a brief history of the market before describing what the UK market looks like today. This section provides detailed information on the two main types of products that are currently available and on the regulation and safeguards that are now in place. It also looks at the size of the market and how this has grown, particularly since 2001, but declined in the last couple of years. Given that the products are still not as widely used as commentators had predicted

the chapter also examines the factors that seem to have prevented significant market growth.

The final part of the chapter draws some comparisons with equity release markets in other countries. As we saw at beginning of this thesis it is not just the UK that has seen a trend towards welfare state restructuring and asset-based approaches to welfare. Therefore an examination of other equity release markets not only offers an interesting point of comparison but lessons might also be learned from observing the way in which equity release markets operate outside the UK, especially in other liberal regime countries.

5.2 What is equity release?

Equity release, in broad terms, means converting housing wealth into liquid assets (SHIP, 2009a) and there are a number of ways in which the asset value of one's home can be realised, as we saw in Chapter 3. For the purpose of this study, however, equity release refers to the use of financial products which allow older home owners to access some of the equity tied up in their homes without having to move.

Different types of equity release products have been available in the UK for over 40 years with the first being launched in 1965 by Home Reversions Ltd (now Hodge Lifetime). A number of other providers were also active in the market throughout the 70s and 80s with mortgage and annuity schemes, also known as Home Income Plans (SHIP, 2011a). The products have developed over the years and some of those that used to be available are no longer sold today. Home Income Plans, for example, were once the most common form of mortgage based product but are no longer available today (Appleton, 2003) neither are shared appreciation mortgages (SAMS) or certain types of roll-up mortgages. Table 5.1

provides an overview of these and other types of products and indicates whether or not they are still in existence.

One of the reasons that certain products are no longer available is because they became the subject of mis-selling scandals. Some Home Income Plans that were introduced in the late 1980s fell into disrepute and still seem to affect the reputation of today's market. Unlike the ones outlined in Table 5.1, these plans used alternative mechanisms such as equity-linked investment bonds to invest the funds that were raised from the loan in an attempt to obtain a higher return than an annuity purchase could provide. However like many investments, higher returns carry higher risks and with increasing interest rates and poor stock market performance at the end of the 1980s, some customers were left with large debts and negative equity. In some cases this led to repossession (Appleton, 2003; SHIP, 2011a). These types of Home Income Plan were later outlawed by the Life Assurance and Unit Trust Regulatory Organisation (LAUTRO) and the Financial Intermediaries, Managers and Brokers Regulatory Organisation (FIMBRA) (National Consumer Council, 1999; SHIP, 2011b).

A similar situation occurred with roll-up mortgages. Originally, interest rates on these products were not fixed and so in the adverse financial and economic conditions of the late 1980s where interest rates rose and property values fell, customers found that they were in negative equity and again, some had their homes repossessed (Appleton, 2003). Roll-up mortgages are available today (but are now commonly known as lifetime mortgages) and are in fact the most popular type of product. However as we shall see later on this chapter a number of safeguards and regulations have been put in place which now makes them a much safer equity release option.

Table 5.1 Product history

Product	Explanation	Available today: Yes/No
Home Income Plans	These products allowed a mortgage to be taken out against an individual's property which was then used to purchase a life-long annuity. The provider firm would take interest repayments from the annuity, apply Mortgage Interest Relief At Source (MIRAS), and the remainder was paid to the customer at a fixed amount on a monthly basis until death (Davey, 1996). The level of payment depended on life expectancy when the plan was taken out and the rates of return on annuities at the time of purchase. Customers had to be aged 70 or over in order to take out this type of product (Appleton, 2003).	No
Shared Appreciation Mortgages (SAMS)	These products allowed the customer to borrow a lump sum but instead of charging interest on the loan, the provider would usually take up to a 75 per cent share of any future increase in the property's value over the life of the loan. These products, which were mostly sold by two banks between 1996 and 1998, left many customers owing the banks hundreds of thousands of pounds and leaving some with inadequate funds to move house because of rapid house price rises.	No
Roll-up mortgages	These are mortgage based schemes which provide the customer with an income, a lump sum or both, and no interest or capital is repaid during the life of the loan. Instead, interest 'rolls up' or is added to the capital sum outstanding.	Yes but with different features and eligibility criteria.
Home reversions	Home reversions were the first kind of equity release product to become available in the UK. They involve selling all or part of one's home to a reversion company at a discounted price. The sale provides the owner with a lump sum and/or monthly income and allows them to continue living in their homes rent free. When the property is sold, usually after death, the reversion company receives the proceeds from the sale, depending on the agreed share.	Yes

5.3 The UK equity release market

There have been a number of developments in the equity release market since it began in 1965 particularly in relation to new forms of regulation and safeguards, different types of products and growth in sales.

5.3.1 Regulation and safeguards

Given the problems with some of the equity release products that were available in the late 1980s and 90s it became obvious that there was a need for better regulation of this market and for safeguards to be put in place that would better protect customers.

Today, the two main types of equity release products (Lifetime Mortgages and Home Reversions) are regulated by the Financial Services Authority (FSA) and contain a number of safeguards, particularly those offered by providers who are members of Safe Home Income Plans (SHIP). SHIP was launched in 1991 as a direct response to the problems faced in the previous decade which highlighted a need for consumer protection (SHIP, 2009a). SHIP represents around 84 per cent of the regulated market in terms of volume (SHIP, 2009a) and all members must comply with their code of conduct which is designed to ensure that customers are protected from some of the main risks associated with equity release. The safeguards are as follows:

- Customers must be able to remain in their property for life, providing it remains their main residence.
- Customers must be able to move to another suitable property without financial penalty.

- A no negative equity guarantee (NNEG) must be given on lifetime mortgages which means that customers will never owe more than the value of their home and no debt will be left to their estate.
- All products have fixed or capped interest rates.
- Customers must receive clear and complete presentations of their plans. An independent solicitor must sign a certificate to confirm that the plan has been clearly explained if they are satisfied that the customer understands the risks and benefits of the plan.
- Customers must go through a fully advised sales process with a suitably qualified adviser.

(SHIP, 2009a)

5.3.2 Products

There are two main types of equity release product that are commercially available today. These are known as Lifetime Mortgages and Home Reversions.

5.3.2.1 Lifetime mortgages

A lifetime mortgage is a loan that is secured against the property to provide a lump sum, an income, or both. The loan is normally repaid when the house is sold, usually when the borrower dies or moves into residential care. Typically, the interest accruing rolls-up and is added to the original amount borrowed and repaid at the end of the loan period (Pensions Policy Institute, 2009a). Unlike many of the roll-up mortgages that were introduced in the late 1980s, lifetime mortgages now have fixed or capped interest rates to protect the customer from rising interest rates. All lifetime mortgage providers that are members of SHIP also offer a 'No Negative Equity Guarantee' (NNEG) to ensure that the customer or

their heirs never end up owing more than the value of their home. Lifetime mortgages are now the most popular type of product accounting for at least 91 per cent of regulated sales (SHIP, 2009a).

5.3.2.2 Advantages of lifetime mortgages for customers

- Customers can obtain a lump sum or regular income to spend as they wish without having to make any monthly repayments.
- Customers retain full ownership of their homes and benefit from any increase in its value.

(Age UK, 2010)

5.3.2.3 Disadvantages of lifetime mortgages for customers

- The debt that customers owe can grow very quickly as repayments do not have to be made during the life of the loan. Instead, interest builds up and is charged on the total of the amount borrowed and the interest already added. This is known as compound interest.

Interest rates for this product are higher than they are on standard loans or mortgages partly because lifetime mortgages are long-term loans and can run for more than 25 years. The interest rates are based on the corresponding long-term rates in the market which are often higher than those on savings and variable rate mortgages (Terry and Gibson, 2010). As Terry and Gibson (2010) point out, at present, the gap is particularly large because short-term loan rates are lower than they have been for many years. Furthermore, as most providers offer a no negative equity guarantee the risk is reflected in the pricing of the loan (Terry and Gibson, 2010).

5.3.2.4 Lifetime mortgage eligibility criteria

The eligibility criteria for lifetime mortgages can vary from one provider to another but customers have to be of a certain age and their house has to be considered suitable for a loan in terms of its valuation and whether or not it offers adequate security. These factors not only determine eligibility for a loan but also how much customers can borrow.

When lifetime mortgages (or the equivalent) were first introduced, customers had to be between 70 and 75 years old (Appleton, 2003) but most providers now offer plans from the age of 55. However older customers are able to release a larger amount of equity than their younger counterparts because they have lower life expectancies. Typically, age related loan-to-value (LTV) ratios on lifetime mortgages mean that 55 year olds can release approximately 18 per cent of the value of their homes. This rises by around 1 percentage point for each year above 55 with an upper limit of 45-50 per cent at age 85 and over (Terry and Gibson, 2006 and own research on age related LTVs using website information from the leading providers).

Most providers will also have a maximum cash advance. For AVIVA, the leading equity release provider, it is £600,000. For Just Retirement, another leading company, it is also £600,000 if the customer lives in England but only £250,000 if they live in Wales, Scotland and Northern Ireland (own research using information from financial adviser sections on company websites). The amount of equity that is available for release using a lifetime mortgage will also depend on house value and the condition of the property. Lenders will impose a minimum value on the property owned which is usually between £70,000 and £75,000 and properties eligible for lifetime mortgages have to be domestic dwellings of

standard construction and in a good state of repair (own research using information from company websites).

In some cases the customer's health status is taken into consideration when determining how much is available to lend and one provider now offers impaired life schemes which work on a similar principle to enhanced rate annuities. It is also now possible for customers to take out a lifetime mortgage even if they are not outright owners but the outstanding balance on their mortgage usually has to be paid for with some or all of the money that is borrowed (own research using information from company websites).

The particular company that customers use will also affect the amount of money that is available for borrowing. Table 5.2 provides an example of how much money can be released from a house worth £150,000 by a 71 year old, using a standard lifetime mortgage from four different providers. It also shows how much the loan would cost after a 15 year period which would be the typical loan term for someone of this age. The reason for using this particular house value and age is because it is the median housing wealth of those over the age of 50 (Curry, 2010) and according to the FSA (2008), 71 is the average age at which lifetime mortgages are taken out.

The cost of all lifetime mortgages has gone up recently in the wake of the recent financial crisis though interest rates are still lower than they were ten years ago. In 2001, for example, average rates were between 7.99% and 8.5% while in 2007 they had gone down to around 6% (Key Retirement Solutions, 2007). Today, as we can see, they tend to be around 6.5-7.5%.

Table 5.2 Maximum lump sum available to a 71 year old with a house value of £150,000

Provider	Maximum Sum available	Annual interest rate	Overall cost after 15 years
Aviva	£50, 250	7.62%	£151, 192
Just Retirement Solutions	£49,500	6.59%	£128,929
LV=	£46,500	6.84%	£125,447
Stonehaven	£45,000	6.42%	£114,461

Source: Avelo Exchange. Online portal available for use by UK financial intermediaries. Provided by J. Moss in personal communication. Figures correct as at May 2011.

5.3.2.5 Lifetime mortgages and increased flexibility

Lifetime mortgages can be taken out with a drawdown facility which allows the borrower to obtain an agreed, maximum amount of money, as and when required. Some of these products also offer a regular income option. This facility can reduce the effect of compound interest by allowing customers to take out smaller amounts of money at different periods rather than accessing a single, larger lump sum. However the initial lump sum that is available will be lower than on a standard lifetime mortgage. The amounts can also be manipulated to lessen the negative effects on benefits entitlement and tax liabilities (Defaqto, 2008). However according to Defaqto (2008) some providers believe that the interest charged on drawdown products does not adequately price in the costs to the provider suggesting that interest rates on drawdown products might increase. Also, with some products, it is not always certain what the interest rate will be on future tranches and, most importantly perhaps, given the current climate, there is the possibility that a provider will experience financial difficulty and not be able to honour future drawdown requests (Defaqto, 2008). But the flexibility that drawdown products allow seems to be popular with customers and has led to growth in lifetime mortgage sales over the last few years. At the

end of 2009, drawdown loans accounted for around 54 per cent of all lifetime mortgage sales (SHIP, 2009b).

Another development in the lifetime mortgage market has been the provision of an equity guarantee or protected equity feature. This allows the customer to protect a proportion of their property value which therefore guarantees an inheritance (SHIP, 2011a). SHIP (2011a) believes that product innovation is central to attracting more consumers to equity release and their members are keen to develop new products that meet customer needs. Stonehaven, for example, who have recently re-entered the market, now offer products where customers can choose to pay off some of the interest during the life of the loan which reduces the overall cost and again increases the amount that they will be able to leave to their beneficiaries (own research using information from financial adviser section of Stonehaven's website).

5.3.2.6 Home reversions

As mentioned above, home reversions have been available for longer than any other equity release product. However, they currently account for just 9 per cent of regulated sales (SHIP, 2009a). They involve selling the property, or a proportion of it, to a reversion company for anywhere between 30 and 60 per cent of the market value depending on the age, gender and health status of the customer.

5.3.2.7 Advantages of home reversions for customers

- Customers can obtain a lump sum and/or regular income to spend as they wish without having to make any monthly repayments.
- There is more certainty over what share of the property customers will be able to leave as an inheritance than there is with standard lifetime mortgages.

(Age UK, 2010)

5.3.2.8 Disadvantages of home reversions for customers

- Customers do not get full market value of the share of the property they sell.
- If all of the property is sold, customers (or rather their heirs) do not benefit from any increase in the value of the property.
- Customers do not retain ownership of their home, even if they only sell part of it. The legal title is transferred to the reversion provider who takes conduct of the sale of the property when the plan ends. If a customer has only taken out a partial reversion (i.e. only sold part of their home) the remaining share is protected by a declaration of trust. When the plan ends the reversion company consults the customer's beneficiaries during the sales process. On completion, the proceeds from the sale are split in accordance with the proportions owned once sales costs have been deducted such as estate agents fees and legal fees (Information provided by the Business Development Consultant of the leading home reversion provider).

5.3.2.9 Home reversion eligibility criteria

As with lifetime mortgages, customers have to fulfil certain criteria in order to be eligible for this type of product. The minimum age requirement is usually higher than it is for lifetime mortgages, typically 65. Again, the older the customer, the more money they will be able to

obtain. The minimum house value also tends to be between £70,000 and £75,000 for home reversions and customers have to be willing to sell at least 25 per cent of the value of their property. As with lifetime mortgages other housing requirements relate to the type of property and its condition. These vary from one provider to another but home reversion companies seem to impose particularly strict requirements. The following list provides an example of the properties that would not be acceptable for a home reversion plan from the leading provider of this type of product.

- New build properties – Any newly built property where the developer is still on site and marketing new properties within the same development
- All flats
- Retirement homes & sheltered housing
- Ex Local Authority Properties
- Caravan / park homes
- Commercial properties
- Properties defective under the 1984 Housing Act
- Pre-fabricated Reinforced Concrete (PRC)
- Steel framed or steel clad properties
- Flat roofed properties
- Single skin construction
- Maisonettes above commercial premises
- Properties with agricultural restrictions

The table overleaf provides an example of how much money a 71 year old male and female can obtain by selling 100 per cent of their property (worth £150,000) to the leading reversion company (there are only three companies offering home reversions). Unlike with lifetime mortgages, it shows that gender significantly affects the amount of money available from home reversions. However, the European Court of Justice has recently ruled that annuity providers must put in place an equalisation of annuity quotes for men and women. Thus, if annuity providers are no longer able to discriminate on the basis of gender then it

seems unlikely that equity release providers will be able to continue to do so. However, as with the annuities market, such equalisation is likely to mean that the costs for men will increase while the costs for women will remain the same in order to protect the providers from the risk of women living longer. In relation to home reversions, in particular, this means that men are likely to see a significant fall in the amount of money that is available to them, both on initial release, and on any further releases (information provided by the Director of the leading home reversion company).

Table 5.3 also shows that home reversions allow customers to obtain more money than lifetime mortgages. But this requires selling all of the value of one's home and this, along with the fact that customers lose the legal ownership of their home, may be why home reversions remain relatively unpopular. In an attempt to increase their popularity there have been product developments within this area of the market also and some reversion providers now offer early vacancy guarantees and house price inflation guarantees (SHIP, 2011a).

Table 5.3 Maximum sum available via a home reversion for men and women age 71 years with a house value of £150,000

Company	Customer	Property value	Maximum sum available
Bridgewater	Male, age 71	£150,000	£73,243
Bridgewater	Female, age 71	£150,000	£67,086

Source: Avelo Exchange. Online portal available for use by UK financial intermediaries. Provided by J. Moss in personal communication. Figures correct as at June 2011.

5.3.3 The costs involved in arranging an equity release plan

As well as having to satisfy a number of conditions to be eligible for lifetime mortgages and home reversions, there are also a number of costs incurred when taking out an equity

release plan. If the customer wishes to make changes to their plan such as borrowing more money or moving house then these will also incur costs. The position on costs varies between providers but some typical examples include:

- Arrangement or application fees.
- Valuation fees which depend on how much the property is worth. The greater the value the higher the charges.
- Legal fees.
- Commission.
- Early repayment charges.
- Re-valuation and re-inspection fees.
- Administration fees when the plan ends.

According to a Defaqto report (2008) there have been significant increases in arrangement fees from a number of providers. The average application fee charged has increased from £306 in 2006 to £504 in 2008. These costs have continued to increase. The following table gives an indication of the arrangement fees charged on a standard lifetime mortgage by the four leading providers in 2011.

Table 5.4 Equity release arrangement fees

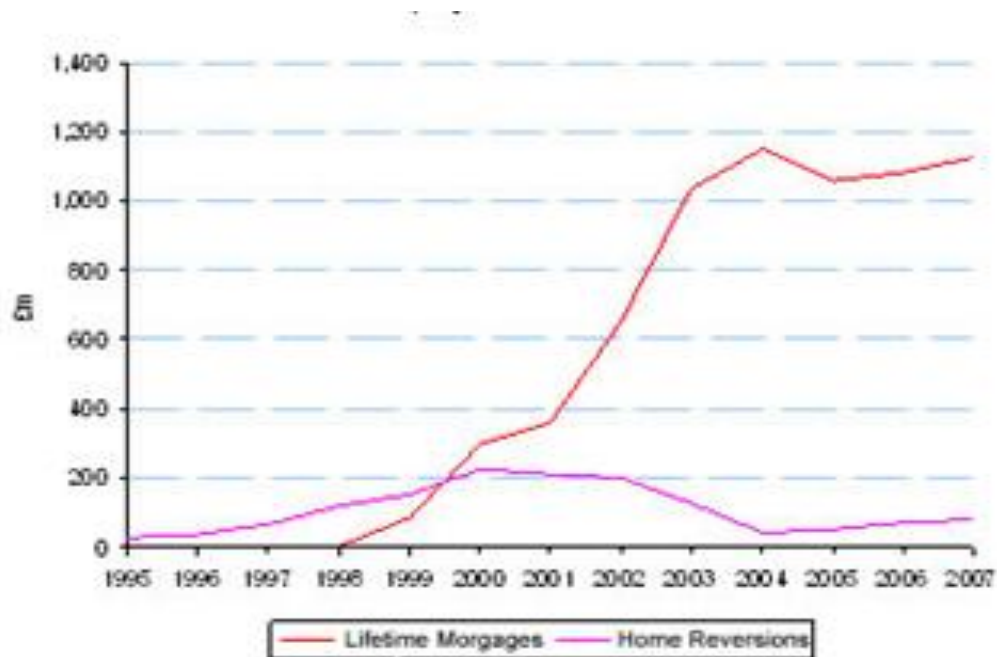
Provider	Arrangement fee
AVIVA	£689
Just Retirement	£500
LV=	£595
Stonehaven	£650

Source: Avelo Exchange. Online portal available for use by UK financial intermediaries. Provided by J. Moss in personal communication. Figures correct as at June 2011.

5.3.4 The size of the UK equity release market

The market for regulated equity release products has grown in the last 15 years or so (see Figure 5.1) and is now worth approximately £1.3 billion (SHIP, 2009a). However the market remains small and it has not experienced the level of growth that a number of commentators had predicted (for example, Actuarial Profession, 2005). Estimates of the total size of the market vary because of a lack of centralised, publicly available data, but according to the Pensions Commission (2004) only around 1 per cent of pensioner households were using these products when they produced their first report. According to the Office for National Statistics (2009) equity release products are used by only around 2 per cent of owner occupiers over the age of 65.

Figure 5.1 Annual equity release sales by SHIP members from 1995-2007 (£million)



Source: SHIP, 2011a

Tables 5.5 and 5.6 which contain data relating to SHIP members also provide an indication of the size of the market and detail regarding sales of the different types of equity release

products. We can see that the market increased considerably from 2001, and peaked in 2007 in terms of the value of new business written and the number of plans sold. However, there has been a downturn in the market since 2007, particularly in 2009 and 2010.

Table 5.5 New business released by SHIP members (£million)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Lifetime Mortgages	*	*	*	1,152	1,049	1,081	1,128	1,038	*	*
Home Reversion	*	*	*	41	55	74	83	57	*	*
Total	572	852	1,161	1,192	1,104	1,154	1,210	1,096	946	804

Source: SHIP, 2011b. Collation of business figures since 2001. *Data not available

Table 5.6 Number of SHIP-compliant equity release plans

Year	2006	2007	2008	2009	2010
Total	27,772	29,293	28,224	20,493	17,574

Source: SHIP, 2011b. Collation of business figures since 2006.

The substantial decline since 2009 could be attributed to a lower level of customer demand in the wake of the financial and economic crisis which has had a downward impact on house prices. It might also be attributed to changes in the supply side of the equity release market. Since 2009, SHIP has lost about 50 per cent of its members with only 8 of the remaining 12 being active. In 2009, five providers pulled out of the market (Coventry, Newcastle and Saffron building societies, Northern Rock and Retirement Plus) and one went into administration (In Retirement Services). Prudential, which had a 23 per cent market share,

also announced that it would stop writing new business from January 2010 and Stonehaven suspended new lending in March 2010 but said that the move was temporary (Information provided by the Director General of SHIP in personal communication).

Funding constraints have proved to be a particular problem in the current economic and financial climate and some providers have also been reluctant to tie up their money for periods of typically 15 years or more. The initial funding of equity release providers will usually come from either banks or corporate backers (Defaqto, 2008) but there is a need for long term capital given that customer's plans are likely to last 15-20 years or more. The current climate means that there is very little wholesale funding available and certainly a shortage of reasonably priced wholesale funding. According to Defaqto (2008), those in the strongest position and able to survive the downturn are companies which do not have to rely on external funding. Just Retirement, for example, a leading provider, is in a strong position as it sells annuities which reduces the need for external finance.

These problems meant that in 2010 there were only ten providers still active in the equity release market. Older people wanting or, needing, to release equity were therefore faced with less choice and higher costs. 2011 has seen some recovery with three providers re-entering the market but it remains more limited today than it was two or three years ago.

As we saw in Chapters 2 and 3, governments have been keen to encourage older people to take more responsibility for their financial security. But to do this they require the right mechanisms (among other things). With fewer equity release providers and increased costs, using housing assets to help fund retirement will be increasingly difficult and is likely to be seen as even less of an attractive option. Indeed it is thought that one of the main reasons

for the limited use of these products is that people consider them to be poor value for money (SHIP, 2009a). This next section looks at some of the wider issues associated with limited growth in the market.

5.3.4.1 Barriers to the expansion of the UK equity release market

While funding constraints may be one of the most significant barriers to future growth in the equity release market at the moment, there are some longstanding issues relating to both supply and demand.

5.3.4.2 Risks to providers

The inherent financial risks in lifetime mortgages are different from those associated with ordinary mortgages. The depth of financial advice required to sell equity release products is also different to the principal product lines of most mortgage providers. Developing a profitable product that meets the needs of older people can also be very complex. Consequently these factors amount to a high degree of risk, which, combined with the relatively small size of the market has deterred many potential providers from entering it (Actuarial Profession, 2005; Hosty, 2005). Furthermore, whilst growth in the market has benefited customers in terms of making rates more competitive and encouraging innovation, Hosty et al (2007) suggest that increased competition may also be acting as a disincentive to prospective new entrants since it is becoming increasingly difficult for providers to reach target returns on capital.

5.3.4.3 Attitudes to equity release products

Although research has shown that those who enter into equity release schemes are largely satisfied with them (for example Davey, 1996) many people remain suspicious and see them as a last resort (Key Retirement Solutions, 2008; Quilgars and Jones, 2010; Smith, 2004).

Some of the reasons for this include fear of indebtedness, high administrative costs, concern about value for money, and concern about the level of risk taking involved (Key Retirement Solutions, 2008; Rowlingson, 2006; Rowlingson and McKay, 2005). The fear or concerns that people have, however, are sometimes due to a low level of awareness and understanding of the products. Research by Key Retirement Solutions (2005) found that many people (61 per cent) still feared that taking out an equity release plan might lead to negative equity when in fact the vast majority of providers now offer a 'no negative equity guarantee'. Of those who considered equity release to be risky 45 per cent feared the loss of their home, 34 per cent felt that the products were too complex and 15 per cent cited lack of regulation as their reason for being wary of equity release products (Key Retirement Solutions, 2005).

More recent research by Jones et al (2010) also found that households did not generally favour using reverse mortgages (or lifetime mortgages, as they are known in the UK) because they were concerned that they might leave a debt that their family would have to repay or that they could lose their homes. Again, many of these issues do not apply to the regulated products that are available today.

5.3.4.4 Lower value properties, low income and the benefits system

Those on low incomes are more likely to have low value properties (Hamnett, 2010). This means that those in greatest need of equity release may not meet the eligibility criteria or be in a position to pay the costs associated with arranging an equity release plan (Actuarial Profession, 2005). Furthermore, for those in receipt of means tested benefits, access to the equity release market is often further constrained as people may lose substantial amounts of entitlement by entering into a plan (Terry and Gibson, 2006). Given that Sodha (2005) estimates that at least one million older people have housing wealth of more than £100,000,

but incomes small enough to entitle them to means-tested benefits, then significant numbers of people who could benefit from equity release may be currently deterred from doing so.

5.3.4.5 Recent product developments aimed at overcoming some of these barriers

There have been some recent developments that could open up the market to low income home owners with limited assets. One such product has been developed in collaboration with the Joseph Rowntree Foundation and Just Retirement, one of the leading equity release providers, and is currently being piloted in three local authorities. It is called the Home Cash Plan and unlike most commercial products, the minimum initial draw-down is sufficiently small that it will not increase the home owners savings beyond the threshold for Pension Credit (£10,000), small sums can be released on demand at least once a year, a wide range of properties can be offered as security for a loan and the set-up fees are lower than on most of the other lifetime mortgages on the market (Terry and Gibson, 2010, p.5). Indeed customers do not have to pay a valuation fee and the normal arrangement fee of £500 charged by Just Retirement (as outlined above) has been reduced to £275 for the pilots. Furthermore, the normal advice fee of £749 has been reduced to £299 and will only be charged if the Home Cash Plan is taken out (Terry and Gibson, 2010).

Age UK have also recently launched an equity release advice service in association with Just Retirement, which gives Age UK customers the following:

- Fully-regulated advice on whether equity release is suitable, and if it is, a product recommendation from a panel of providers who are registered with SHIP.

- Access to a Just Retirement product that is exclusive to Age UK customers called the Flexible Cash Plan. This is a drawdown lifetime mortgage allowing customers to draw sums as small as £500, subject to a minimum initial advance of £10,000. Age UK has also negotiated a discount on Just Retirement's normal fees and an interest rate of 6.69%.
- Customers also have access to the Home Cash Plan (as outlined above).

(Age UK website)

These products, which are cheaper to set up and which have the potential to reduce the negative impact on benefits, are an important development and could be particularly beneficial to older home owners on low incomes in the current climate given that the cost of standard commercial products has gone up.

5.4 Comparisons with other countries

5.4.1 Europe

Although the equity release market in the UK remains small, it is by far the largest, most developed, market in the EU (Reifner et al, 2009). But as in the UK, a lack of centralised data on the scale of lending makes it difficult to gauge the exact size of the markets in other European countries. Reifner et al (2009) used individual country 'reporters' to provide estimates of market activity and the table below summarises their findings in terms of the number of providers of equity release products in each country and the type of products that they sell.

Table 5.7 EU providers of Equity release products

Country	Type of product available	Number of providers identified
UK	Loan Model and Sale Model	40*
Ireland	Loan Model and Sale Model	27*
Spain	Loan Model and Sale Model	21
Austria	Loan Model	1
Finland	Loan Model	2
France	Loan Model	1
Italy	Loan Model	5*
Sweden	Sale Model	1
Netherlands	Loan Model	1
Romania	Sale Model	1
Bulgaria	Sale Model	1
Germany	Loan Model and Sale Model	2
Hungary	Loan Model and Sale Model	3

*Includes intermediaries. Source: Reifner et al, 2009, p.23

According to these findings, Ireland and Spain have the most developed markets after the UK but it is difficult to know how accurate this data is. Furthermore, a number of changes have taken place since the research was carried out. Hungary, for example, now has just one provider of equity release products and Poland, which does not feature in the table at all, has two providers of home reversions, referred to in the table above as sale model equity release products. And as indicated above, the UK now has fewer providers than it did a couple of years ago.

There is reason to believe, however, that equity release markets in other European countries could grow given that ageing populations and the 'pensions crisis' are not just confined to the UK but are of course trends shared with, and indeed more pronounced in, many other European countries. The European Commission's Green Paper on adequate, sustainable and safe European pension systems, considered whether the *'Internal Market couldbe helpful*

in extending access to additional sources of retirement income beyond pensions, such as reverse mortgages' (European Commission 2010, p.11). But as in the UK, there are likely to be a number of barriers to the expansion of these markets that go beyond the absence of a legal framework.

The final section in this chapter examines the equity release markets in the USA, Canada and Australia. While the UK has the largest equity release market in Europe it is perhaps not surprising that these countries also have relatively large markets. Indeed asset-based approaches to welfare have also received increasing attention from governments and academics in these countries (Paxton, 2003; Reagan and Paxton, 2001; Sherraden, 1991; 2005). They also have in common many of the factors that underpin interest in, and the potential need for, housing asset use in later life. These include large owner-occupied housing sectors, ageing populations and relatively low levels of state welfare provision.

5.4.2 The USA

Until very recently there were three main types of equity release product in the US: Home Equity Conversion Mortgage (HECM) loans, Fannie Mae's Home Keeper programme and the Financial Freedom's Cash Account Advantage Plan (Chen et al, 2010). Today, however, there is only one main product; the HECM which is sponsored by the Department of Housing and Urban Development (HUD). HECM loans are insured by the Federal Housing Administration (FHA) but provided by private companies including many of the well known US banks. The HECM programme has been available since 1989 and is the most popular reverse mortgage (or lifetime mortgage) in the US accounting for approximately 95 per cent of the total market (National Reverse Mortgage Lenders Association (NRMLA), 2011).

In order to qualify for the HECM, borrowers must be at least 62 years of age, they must own their property outright or have only a small mortgage left to pay on it and the property must meet FHA property standards (HUD, 2011).

As with lifetime mortgages in the UK, no repayments are required on HECMs during the borrower's lifetime and/or for as long as the property remains their principal residence. Lenders recover their capital plus interest when the property is eventually sold (HUD, 2011). However in contrast to the lifetime mortgages offered by lenders in the UK, the US government (the FHA) will pay the lender the necessary amount to cover the shortfall if the sale proceeds are not sufficient to cover the amount that is owed. The FHA collects a Mortgage Insurance Premium (MIP) from all borrowers in order to provide this coverage. The insurance premium also guarantees that if the lender goes out of business the government will ensure that borrowers still have access to their loan funds (Huan and Mahoney, 2002; National Reverse Mortgage Lenders Association, 2011).

Also in contrast to lifetime mortgages in the UK, interest rates on HECM loans can be either fixed (in which case the whole amount has to be taken as a lump sum) or variable with limits on how much the rate can rise over the life of the loan (National Reverse Mortgage Lenders Association, 2011)

The amount that customers can borrow depends on the age of the borrower, the value of their property (or the maximum lending limit which has recently been increased to \$625,500 under the Housing and Economic Recovery Act 2008) and the Principal Limit Factor (PLF) which is similar to a loan-to-value ratio. The PLF varies according to the age of the borrower and the 'expected interest rate' at the time of taking out the loan. In essence, the older the

customer and the lower the expected interest rate, the more money they can borrow (HUD, 2011). The expected interest rate is the expected average mortgage interest rate and is never charged on the loan; it is only used to calculate the amount available to the customer. The ten year treasury rate is used to calculate the 'expected interest rate' on HECM loans and since this declined from around 7 and 8 per cent in the early 90s to between 4 and 5 per cent in the mid 2000s, the expected interest rate on HECM loans fell from around 9 per cent to between 5 and 6 per cent (Shan, 2011). This means that customers can now borrow even more money using a HECM loan.

Table 5.8 provides a broad comparison of the amount of money that customers can borrow at different ages, on a house worth £150,000, using either a US HECM or a UK lifetime mortgage. It shows that the HECM provides much higher payments to borrowers compared with UK lifetime mortgages. Furthermore, HECM mortgages cost less over time and allow customers to preserve more of the equity in their homes because interest rates are lower than they are in the UK. One of the leading lenders in the US (All Reverse Mortgage Company) has an interest rate of 4.5 per cent (own research using adviser section on the company website) which is significantly lower than any of the rates being offered by UK providers in 2011.

Table 5.8 Age-related HECM and lifetime mortgage payments

Age	US HECM		UK lifetime mortgage	
	Percentage ¹	Sum	Percentage	Sum
65	64%	£96,000	29%	£43,500
75	69%	£103,500	40%	£60,000
85	75%	£112,500	51%	£76,500

¹Percentage based on PLF with an expected interest rate of 5%

Source: NRMLA, HECM Principle Limit Factors, effective from October 2010 and LTVs on Aviva's Standard Lifetime mortgages, effective from September 2011 (available at AVIVA for advisers).

The main reason that HECM loans provide higher payments to borrowers is because they are federally insured. Consequently, US lenders do not take on the same amount of risk that UK lenders do and can therefore offer larger lump sums. Furthermore, government insurance has almost certainly helped to encourage a large number of US lenders to enter the reverse mortgage market which in turn increases competition and drives down interest rates.

But despite the fact that the US government insures HECM loans, Table 5.9 shows that the US market has experienced the same recent decline as the UK equity release market. There was significant growth between 2001 and 2007 and while the HECM market continued to grow in 2008 and 2009 (unlike the equity release market in the UK) both UK and US markets declined substantially in 2010. Like UK lenders (particularly those that are reliant on wholesale funding) US lenders have also experienced funding constraints not least because Fannie Mae was the main investor in the reverse mortgage market. However the decline might also be due to a lower level of customer demand since the downturn in the housing market. Indeed since 2001 there has been a positive correlation between house prices and equity release product demand in the UK and the US with significant growth up to 2007 and a substantial decline thereafter when house prices also declined (Shan, 2011).

Table 5.9 Number of US HECM loans issued between 2001 and 2010

Fiscal Year¹	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Total	7,781	13,049	18,097	37,829	43,131	76,351	107,558	112,154	114,692	79,106

¹Each federal fiscal year begins 1st October and runs through to the 30th September of the following year

Source: National Reverse Mortgage Lenders Association, 2011

5.4.3 Canada

HomeEquity Bank is the only national provider of reverse mortgages in Canada. HomeEquity Bank's predecessor, Canadian Home Income Plan Corporation (CHIP), was founded in 1989 and was the first company to provide reverse mortgages to Canadian seniors. After becoming a chartered bank in 2009, CHIP changed its name to HomeEquity Bank.

The reverse mortgages that HomeEquity bank offers are very similar to the lifetime mortgages offered by UK equity release providers. They are available to homeowners age 55 and over and allow them to access up to 50 per cent of the value of their homes depending on age, property type and location. The funds can be received as either a lump sum an income or in instalments via a draw down facility. There is also a no negative equity guarantee on the plans (CHIP, 2011).

Unlike UK lifetime mortgages, however, HomeEquity Bank's loans are available with either fixed or variable interest rates (CHIP, 2011) and in this sense are more similar to those offered in the US and Australia. This flexibility provides consumers with the opportunity to reduce the overall cost of the loan in a declining interest rate environment and preserve more of the equity in their homes. However there is no evidence that variable rates on the Home Equity loans are capped and so they may not protect the consumer from rate increases. However customers can switch to a fixed rate at any time and the no negative equity guarantee ensures that they will never owe more than the value of their homes. Furthermore, interest rates can be fixed for up to five years on HomeEquity Bank reverse mortgages and although fixing increases the interest rate, it currently stands at only 5.95 per cent (see Table 5.10). This is lower than the interest rates offered by the leading UK providers of lifetime mortgages in 2011 (see Table 5.2).

Table 5.10 Interest rates on reverse mortgages provided by HomeEquity Bank in Canada

Interest rate option on reverse mortgages provided by HomeEquity Bank	Interest rate¹
Variable	4.75%
6 month	4.90%
1 year	4.99%
3 year	5.45%
5 year	5.95%

¹ Rates effective from 25th August 2011.

Source: CHIP, 2011.

One of the reasons that HomeEquity Bank's reverse mortgages have lower interest rates and more flexibility over interest rates than UK loans is because they are provided by a chartered bank. Since obtaining its chartered bank status HomeEquity Bank has been able to access retail deposits which offer a stable and cost-effective source of funds and reduce their reliance on wholesale funding. It has enabled them to increase annual originations and the resulting value of its portfolio of reverse mortgages. These cost effective sources of funding have improved margins and allowed them to offer lower consumer pricing (HomeEquity Bank, 2009).

Building societies, insurers and specialist equity release companies offer lifetime mortgages in the UK but there are no banks providing lifetime (or reverse) mortgages. This is considered to be one of the barriers to market growth. Indeed since the Canadian Home Income Plan Corporation (CHIP) became a chartered bank, the reverse mortgage market in Canada has grown substantially. In 2010, when markets elsewhere declined, HomeEquity Bank originated a record volume of reverse mortgages worth \$206 million (the number of loans sold does not seem to be available). At the end of 2010, HomeEquity Bank's portfolio of reverse mortgages was more than \$1 billion and was 17 per cent higher than it was at the end of 2009 (HomeEquity Bank, 2011).

5.4.4 Australia

Australia's equity release market is similar to the UK market. Senior Australians Equity Release (SEQUAL) is the trade body for the equity release market in Australia and operates in largely the same way as the UK trade body, SHIP. However SEQUAL was only established in 2005 when the equity release market in Australia started to become more popular. SEQUAL-accredited lenders comply with the SEQUAL code of conduct which includes a no negative equity guarantee (Bridge et al, 2010). The reverse mortgages they provide can be used to obtain a lump sum, an income or both. Draw down options are also available.

The amount that customers can borrow depends on age (minimum ages range from 55-65) and house values and as in the UK, the maximum amount of equity that can be released is between 45 and 50 per cent of the value of the property (at age 85) although some lenders put a cap on the maximum amount that they will lend (Bridge, 2010). Unlike reverse (or lifetime) mortgages in the UK, the majority of products in Australia are offered with variable interest rates and SEQUAL's research (2011) shows that this is the most popular option among customers. Furthermore, some Australian providers will not lend for certain purposes such as gifting (Bridge et al, 2010) in contrast to UK providers who do not impose these kinds of restrictions.

At the time of writing (August 2011), SEQUAL has 9 members providing reverse mortgages to older home owners (SEQUAL website). However not all of these members are currently active and like SHIP in the UK, SEQUAL has recently lost some of its members due to the global financial crisis and its impact on the availability and cost of wholesale funding. This shortage has particularly affected non-bank lenders (Bridge et al, 2010). Despite this, the Australian (SEQUAL-accredited market) continued to grow, albeit at a steady rate, in 2009

and 2010 unlike markets in the UK and US which saw a substantial decline during this time. However like the UK and US markets, growth was particularly pronounced in the Australian equity release market in 2006 and 2007 (see Table 5.11).

Table 5.11 Number and value of outstanding Australian SEQUAL-compliant reverse mortgages

	2005	2006	2007	2008	2009	2010
Outstanding market size	\$0.9b	\$1.5b	\$2.0b	\$2.5b	\$2.7b	\$3.0b
Number of loans	16,584	27,898	33,741	37,530	38,788	41,600

Source: SEQUAL, 2011

According to research by Bridge et al (2010) there are also three non-SEQUAL accredited lenders offering reverse mortgages, one home reversion provider and, unlike in the UK, a reverse mortgage that is provided and underwritten by the Australian government. This is called the Pension Loans Scheme and is delivered through Centrelink, an agency of the Commonwealth Department of Human Services (DHS). Unlike commercial reverse mortgages this product is means-tested (on the basis of income and assets) and is only available to those who do not receive the maximum rate of Age Pension. The Age Pension is a universal age-related benefit that is also income and asset means tested although an individual's home is exempt from this test (Berry and Dalton, 2010). Borrowers must be of pension age (65 for men and 60 for women born before 1935 but this is gradually increasing to 65 for women born after 194) and the funds are only available as an income stream. Payments are made every two weeks but are non-taxable (Department of Human Services, 2011). The Pension Loans Scheme is therefore targeted at asset-rich, income-poor

homeowners and seems to have been designed to ensure that it is used for essential rather than lifestyle purposes.

Having examined the scale and nature of the equity release markets in the USA, Canada and Australia it seems that there a number of lessons that can be learned about how the UK market might grow. The market in the USA is considerably larger than the market in the UK which is of course partly due to the size of the US population. However the Canadian market has grown substantially in the last few years reaching a very similar size to that in the UK and the Australian market is also fairly large yet these countries have smaller populations than the UK (Department of Economic and Social Affairs, 2010).

This tells us, perhaps, that the cost of equity release plans and the extent to which they offer value for money are extremely important for market growth. Indeed in these countries, unlike the UK, equity release products either allow customers to access a more substantial amount of equity and/or offer lower and more flexible interest rates which allow customers to preserve a larger amount of equity for bequests. As we have seen, this is either because of government insurance and/or because banks play a more central role in the equity release markets in these countries.

5.5 Summary

This chapter has set out to answer the question ‘what is equity release and how widespread is its use?’ Equity release can refer to any mechanism for converting housing wealth into liquid assets but in this thesis the focus is on financial products which enable older home owners to access the equity tied up in their homes without having to move. As such, the chapter has provided historical and contemporary information on equity release products

including the type of products available, how they work, who provides them and how many people use them. It has shown that there have been some important developments with regard to regulation and safeguards and also product specific developments which have made the products more flexible. These developments may have played some part in the growth of the UK equity release market which is now worth approximately £1.3 billion per year (SHIP, 2009a).

However, we have also seen that the market remains small (even though the UK has the most developed market in the EU) and in the last couple of years has started to decline on both the supply and demand side. It is thought that the financial and economic crisis has had a major impact here and it means that people are facing less choice and higher costs at a time when they may be in greater need of additional resources.

Other factors that have prevented significant expansion of the market are more longstanding and include negative public perceptions of equity release products and the fact that these products are least accessible to those who might need them most. However, recent developments by third sector organisations and local authorities in partnership with the private sector might help to overcome some of these obstacles and allow greater opportunities for housing wealth to be used in a more affordable and flexible way.

An examination of equity release markets in the USA, Canada and Australia also suggests that government support and the involvement of chartered banks have played an important part in increasing the affordability of the products and widening their use. These findings may be relevant to the UK context.

The following chapter further explores the role of equity release products by examining the kinds of people who use them and why they do so. Whatever their purpose, we know from the data presented here that this is currently limited as very few people use the products. Finding out about what they are being used for in practice, and by whom, could provide important insights into how the market might be expanded. Indeed SHIP (2009a) has commented that a lack of market intelligence regarding customer characteristics and their potential need for equity release products could be contributing to the relatively small scale of the market.

6 USING EQUITY RELEASE PRODUCTS

6.1 Introduction

The previous chapter presented information on equity release products, how they work and how many people use them. However, we know little about who these people are, why they use equity release products and how they feel about them. There is some industry data on the age profile of customers and what they spend the money on but otherwise information is very limited. Furthermore, the last major academic study on equity release was carried out in 1995 so this information is now dated.

In order to fill this gap and shed light on the characteristics, experiences and attitudes of equity release customers, it was necessary to carry out empirical research. Quantitative and qualitative methods were used and the aim of the following two chapters is to present the analysis of this data and answer the subsequent research questions:

What kinds of older people use equity release products, why do they do so and how do they feel about using them?

How, if at all, has this changed over time?

This chapter focuses in particular on older people's use of equity release products. The first part looks at the kinds of people who use the products by examining the socio-economic characteristics of the participants in the study. The second part of the chapter investigates what they did with the money and compares these findings with those from Davey's (1996) study to identify changes over time. The final part of the chapter explores participants'

reasons for using equity release products, rather than moving house, in order to access housing wealth. Together, these findings help us to get a better understanding of the role that equity release products play.

6.2 Participant characteristics

6.2.1 Age

As we saw in the previous chapter, there are age restrictions on equity release products. Customers have to be at least 55 years old to take out a lifetime mortgage in the UK and 65 to take out a home reversion. However minimum age requirements have come down from around 70-75 when the products were first introduced.

The results in Table 6.1 show that the average (or mean) age of participants at the time of the survey was 75 years (the median age was 74). The age at which they took out their equity release plans ranged from 55 to 91 with a mean age of 72 years and median age of 71. The Financial Services Authority (2008) also state that the average age of customers when taking out a regulated equity release plan is 71.

The participants in this survey were younger than those in Davey's (1996) study both in terms of their current average age and the age at which they took out their equity release plans. In Davey's (1996) study the average age of respondents was 80 at the time of the survey and 74 when plans were taken out.

The equity release industry has also reported that equity release customers are getting younger. Key Retirement Solutions, for example, a leading independent specialist, reported that the average age of their customers was 69 in 2007 falling slightly to 68 in 2008 while in

2009 their fastest growing customer group was in the 55-59 age range (Key Retirement Solutions, 2009).

The changes are at least partly due to the fact that the age of eligibility for equity release products has come down but there may be other reasons for the decrease in age. Indeed with the decline in the value of the state pension along with a lower level of income and security from private pensions (and other private income sources such as savings and investments), some older people might be finding it increasingly difficult, earlier on in retirement, to meet all of their income needs. And as we saw in Chapter 3, research by the Institute for Fiscal Studies (2008) has shown that some groups of pensioners have experienced considerably higher levels of price inflation than the population as a whole over the last few years, and certainly higher than the rate of pension increase. Research by the Personal Finance Research Centre for Help the Aged also found that around 25 per cent of people were approaching state retirement age with outstanding credit commitments and that those who have debt later on in life now owe more than they did ten to fifteen years ago (McKay et al, 2008).

But customers might also be getting younger as expectations for retirement increase. Some argue that unlike previous generations, baby boomers are considered to be more *'goal driven and aspirational. They expect their retirement to provide a quality of life matching that which they enjoyed during their working lives'* (SEQUAL, 2008, p 21).

So there may be a number of reasons why equity release customers are getting younger but as we saw in Chapter 5, this has cost implications. Not only do younger customers face the prospect of leaving very little inheritance, if any, given the longer life of the loan, but neither

do they get as much money in the first place. Furthermore, if housing equity is drawn on at a relatively young age then there will be fewer resources available to meet income and care needs that could increase as people age.

6.2.2 Person with whom plan was entered into and marital status

Over half of all participants (56 per cent) entered into their plans with a husband/wife or partner while 44 per cent did so alone (see Table 6.1). Among the participants who entered into their plans alone, 46 per cent were male and 54 per cent were female which is to be expected given that single female pensioners have lower incomes than single male pensioners. As mentioned in Chapter 3, the average gross weekly income of single female pensioners in 2007-08 was £247 compared to £288 for single men.

Fifty two per cent of participants stated that they were married or cohabiting at the time of the survey. Those who were widowed made up 28 per cent of the sample and 20 per cent were either single or divorced/separated (9 and 11 per cent respectively). Given that single and widowed people tend to have lower incomes than their couple counterparts, it might be expected that these groups would make up a greater proportion of equity release customers compared with the older population as a whole. However, there are very few differences. Fifty eight per cent of all over 65s are married or cohabiting, 29 per cent are widowed, 5 per cent are single and 8 per cent are either divorced or separated (6 and 2 per cent respectively) (General Lifestyle Survey, 2008).

The figures found in this survey, however, do represent quite a contrast from those found in Davey's (1995) study which is likely to reflect differences in the age profile of the two samples. In the 1995 survey a much lower proportion of respondents were in a

partnership when they took out their plans (36 per cent) and many more were single (62 per cent). Furthermore, most of those who were single were female (49 per cent) outnumbering men living alone by more than two to one. Most of the respondents in Davey's (1996) survey were also widowed (52 per cent) at the time of the survey and fewer were married (36 per cent).

The equity release customers in the 2009 survey were therefore more likely to be in couples rather than men and women living alone, both at plan commencement and at the time of the survey, and there was a much more even split between men and women.

6.2.3 Work status

The overwhelming majority of the sample was retired (93 per cent) which no doubt reflects the age profile of the sample. However, 6 per cent of participants were working in either full or part-time paid employment. The interviews suggested that despite taking out an equity release plan, some people may have to continue to work to make ends meet while others simply want to maintain a good standard of living. The examples below illustrate some of the interviewees' reasons for continuing to work.

Box 6.1 Working to make ends meet

Mrs O and her husband were struggling to make ends meet when they decided to take out an equity release plan. They were in debt and were finding it hard to pay all of their bills. Mrs O was in receipt of the state pension and received a small amount of money from her late husband's occupational pension. However her husband at the time had not reached pensionable age and was in the building trade but for a long time had had very little work. Despite taking out an equity release plan he still needed to work. At the time of the interview all he could find was low-paid, part-time, agency work. As a result, Mrs O and her husband were still finding things difficult.

Mrs W and her husband were also finding things difficult despite both being in receipt of state and decent occupational pensions. This was mainly because of the debt that they had which was reducing their monthly income. They had very little savings and had only been able to release approximately £30,000 using a lifetime mortgage. This meant that Mrs W had had to go back to work but she had only managed to get a part-time cleaning job paying £7 an hour.

Box 6.2 Working to maintain living standards

Mr L and his wife were better off than Mrs O and Mrs W. They had taken out an equity release plan primarily to help their daughter who was struggling financially having gone through a divorce. Mr L explained that his pension income was reasonable but at the age of 68 was still working 25 hours a week. At the time of the interview he had not long made the decision to reduce his hours to 18 per week which, as he explained, meant that he would probably start taking only one holiday a year as opposed to two or three. His decision to continue working was therefore more of a lifestyle choice.

6.2.4 Children

The majority of participants had children (73 per cent). When Davey carried out her survey in 1995, 57 per cent of respondents had children. The increase could be attributed to a shift in acceptability among those with children and in attitudes to inheritance. This will be considered in Chapter 7. More people also seem to be releasing housing equity to pass money on to their children sooner, rather than later, as we shall see later on in this chapter.

Table 6.1 Participant characteristics

Characteristics	Davey, 1995 N=309	Overton, 2009 N=553
Mean age	80 years	75 years
Mean age when plan was taken out	74 years	72 Years
Marital status	%	%
Married/cohabiting	31	52
Separated/Divorced	2	11
Widowed	52	28
Single	15	9
	100	100
Person with whom plan was entered into	%	%
Husband/Wife/Partner	36	56
No one else	62	44
Other	2	0
	100	100
Sex of those who entered into plans alone	%	%
Male	28	46
Female	72	54
	100	100
Work status	%	%
Working in paid employment (full/part-time)	0	6
Retired	100	93
Other	0	1
	100	100
Children	%	%
Yes	57	73
No	43	27
	100	100

6.2.5 Income and sources of income

The results in Table 6.2 show that at the time of the survey, a third of participants reported a gross annual household income of £10,000-£14,999 (excluding income from their equity release plans). Almost a quarter (23 per cent) reported that they received just £5,000-£9,999 while 19 per cent of participants received between £15,000 and £19,999. Single participants were more likely to be living on less than £10,000 per annum than their couple counterparts (40 per cent compared with 15 per cent) and relatively few participants, whether single or living as part of a couple, received either less than £5,000 or £20,000 or more. These figures therefore show that incomes tended to be clustered in the middle bands for those living as part of couple and skewed towards the lower end of the distribution for single participants. However as these figures are self-reported they may be under-estimated.

Table 6.2 Income and sources of income

Household income	All %	Singles %	Couples %
Under £5,000	4	8	1
£5,000-£9,999	23	32	14
£10,000-£14,999	33	35	30
£15,000-£19,999	19	14	24
£20,000-£24,999	12	8	16
£25,000-£29,999	5	2	9
£30,000 or more	4	1	6
Total	100	100	100
	N=512	n=244	n=267
Sources of income			
Private pension	85	79	91
State pension	98	97	100
Pension Credit	14	19	10
Other social security benefits	13	10	16
Savings and investments	35	31	39

Comparing the incomes of those in the survey with the wider population it seems that the differences are fairly small. The Pensioners Income Series (Department for Work and Pensions, 2010) shows that median net income (before housing costs) in 2008-09 was £19,396 for couples and £10,712 for single pensioners. Although the equity release survey asked participants to provide their gross household income, it is perhaps more appropriate to compare their responses with median net measures reported in the Pensioners Income Series, partly because this report does not provide figures for gross median income (only gross average income) but also because, as already mentioned, self-reported income can be under-estimated.

Notwithstanding differences in measurement, the similarity is surprising. Indeed one would expect that equity release customers have lower incomes than the population as a whole given the decision to draw on housing equity. However Table 6.1 suggests that equity release may be more of a substitute for low levels of savings rather than low income. Having said this, the Pensioners Income Series figures relate to the pensioner population as a whole which not only includes home owners but those who rent their homes as well.

According to Curry (2010) about 20 per cent of older people do not own their own homes and non home owners typically have lower incomes than their home owner counterparts. This is likely to affect the reliability of comparisons made between the older population and the equity release survey sample. Thus if we exclude renters from the analysis and compare the incomes of those in the survey with older home owners only, Table 6.3 shows that equity release customers are less likely to have annual household incomes of £25,000-£29,999 (5 per cent compared to 8 per cent) and much less likely to have incomes of £30,000

or more (4 per cent compared to 15 per cent among older home owners in the wider population). These findings are more in line with what we might expect.

Table 6.3 Comparison of annual household income between survey participants and all home owners aged 65+

	Survey participants, Overton, 2009	All home owners aged 65+, BHPS, 2007/08
	%	%
Under £5,000	4	2
£5,000-£9,999	23	20
£10,000-£14,999	33	27
£15,000-£19,999	19	17
£20,000-£24,999	12	11
£25,000-£29,999	5	8
£30,000 or more	4	15
Total	100	100
	N=512	N=2164

Source: BHPS, 2007/08, wave 17 data

Table 6.2 also provides information regarding participant's sources of income and gives some indication of the role that equity release plays. As the majority of people over state retirement age are eligible for a state pension it is not surprising that most of the sample (98 per cent) were in receipt of this. The findings also compare very closely with the figure for pensioners in the wider population which is 95 per cent (Department for Work and Pensions, 2010).

The majority of participants (85 per cent) also had a private pension (either occupational or personal). The figure found in this study is somewhat higher than the figure for this age group overall. The Pensioners Income Series (2008-09) indicates that 68 per cent of all pensioner units are in receipt of private pension income (Department for Work and Pensions, 2010). The higher percentage found in this survey can probably be attributed to the fact that

homeowners are more likely to have private pensions (Pensions Policy Institute, 2009a) and therefore considered to be better off than those without property or private pension assets.

But while those with only state pension income may be considered most in need of additional income, at present, equity release seems to play little role in providing this probably because the poorest older people are least likely to own a home. However, the use of equity release as a compliment to state and private pension income also suggests that for the participants in this study, pension income alone was not sufficient for meeting their income needs and preferences. Follow-up interviews suggested that this was often the case, as we shall see later on in this chapter.

Table 6.2 also shows that only 35 per cent of the sample said that they received income from savings and investments, compared with 68 per cent of pensioners overall (Department for Work and Pensions, 2010). However the difference could be explained by the amount that pensioners get from these sources. While nearly three quarters of all pensioners receive income from savings and/or investments, half of them get just £7 a week or less. So the majority of participants may not have viewed this as a source of income but it is also possible that they did not have any savings or investments. This would support the view that people only consume housing assets if they do not have alternative means of obtaining the money or if they have already used up other, more liquid, assets (for example, Levin, 1998). A number of the participants who were interviewed said that they only had small amounts of savings, or none at all, and this is why they were using equity release; whether by choice or necessity.

Table 6.2 also shows that 14 per cent of respondents were receiving Pension Credit, a means-tested state benefit. Generally, the concern has been that for those in receipt of Pension Credit, access to the equity release market is restricted because they may lose substantial amounts of entitlement by entering into a plan (Terry and Gibson, 2006). In practice there are situations in which someone can retain this benefit even if equity release is taken out and this finding seems to support that.

People simply may not declare their savings but there are also more legitimate ways of retaining entitlement. As Sodha (2005) explains, those over 65 and in receipt of means-tested benefits are often only subject to a means-test every five years and do not need to report changes in circumstances during this time. So an increase in income or capital will only affect Pension Credit entitlement when this period comes to an end. Someone using equity release to obtain a lump sum, therefore, which they spend before the end of their Assessed Income Period (AIP) might not find that their Pension Credit entitlement is affected. However this is providing that they have spent the money on 'reasonable' goods and services and can prove, if necessary, that they have not deprived themselves of capital (Age UK, 2011a). This is not to say, however, that the interaction of equity release with the benefits system no longer acts as a barrier to taking out equity release products.

6.2.6 Housing wealth

Participants were asked to state how much their houses were worth at the time of taking out their equity release plans and for the majority of the sample (89 per cent) this would have been within the last five years. It is not known how much of this value was unmortgaged but as the majority of pensioners own their homes outright (despite an

increasing trend towards mortgage debt in retirement) the data contained in Table 6.4 gives some indication of the level of housing wealth held by the participants in this study.

Over half of the sample (55 per cent) owned homes worth just under £200,000 or less while the modal house value was £150,000-£199,999 which is not too dissimilar from the national average house price which stands at £167,173 at the time of writing (Halifax House Price Index, 2011).

The table also shows that the value of participants' homes were very similar to those reported by older home owners in the wider population. But participants in the equity release survey were less likely to have substantial amounts of housing wealth compared to the 65+ population (27 per cent of home owners aged 65 and over have houses worth £300,000 or more compared to 15 per cent of survey participants). Overall, equity release customers seem to be neither asset-rich nor poor, but rather, 'asset-average'.

This is not particularly surprising given that income and housing wealth tend to be correlated and as we have already seen equity release customers are much less likely to have incomes of £30,000 or more compared to older home owners in general (Table 6.3).

Table 6.4 House values

House value	Survey participants Overton, 2009	All home owners aged 65+, BHPS, 2007/08
	%	%
Under £100,000	7	9
£100,000-£149,999	19	18
£150,000-£199,999	29	21
£200,000-£249,999	19	14
£250,000-£299,999	11	11
£300,000-£349,999	6	9
£350,000-£399,999	2	6
£400,000-£449,999	2	3
£450,000-£499,999	0	3
£500,000 or more	5	6
Total	100	100
	N=543	N=2265

Source: BHPS 2007/08, wave 17 data, provided by McKay in personal communication.

Table 6.5 shows that participants' incomes did tend to rise with the value of their homes. However a small but significant number of older people are also thought to be house-rich, income-poor and equity release is often considered to be particularly beneficial for this group of people (Hancock, 2000; Sodha, 2005).

Table 6.5 House value by household income (column percentages)

	Under £10,000	£10,000- £14,999	£15,000- £19,999	£20,000- £24,999	£25,000 or more	All
House value						
Under £100,000	12	6	4	3	0	6
£100,000 - £149,999	26	25	8	12	0	18
£150,000 - £199,999	31	31	32	21	18	29
£200,000 - £249,999	15	19	26	18	17	19
£250,000 - £299,999	8	10	13	20	15	12
£300,000 or more	8	9	17	26	50	16
Base	133	164	97	61	46	501

Chi square = 95.936, df=20, p <0.001 Cramer's V 0.219

The Pensioners Income Series (2008-09) states that the gross annual household income of pensioner units is £22,984. The equity release survey also asked participants to report their gross annual household income. Thus an income of £13,790 (60 per cent of £22,984) provides a rough measure of participants who might be classed as income-poor relative to their housing wealth. Given that the survey collected income data in bands we might use £15,000 as the dividing line between income-rich and income-poor. It also seems appropriate to use £200,000 as the dividing line between asset-rich and asset-poor since £200,000 is above the national average house price and the median housing wealth of older home owners in the wider population (£150,000 according to Curry, 2010).

Using these broad indicators, Table 6.6 shows that in this study, 21 per cent of equity release customers were house-rich, income-poor with the majority being spread across income and wealth classes. We might argue, therefore, that the equity release market is reaching some of those who need it most but for more than a quarter (26 per cent) of customers, at least, equity release plans are adding to the security and consumption possibilities that the better off already have. Box 6.1 and 6.2 draw on the qualitative interviews to illustrate this.

Table 6.6 Income and housing wealth combined (column percentages)

	Income		
Housing wealth	Income-poor	Income-rich	Total
Asset-poor	38	15	52
Asset-rich	21	26	48
	59	41	100

Box 6.1 The experience of being asset-rich, income-poor

Mr M was 79 at the time of interview and had always lived by himself. He had been made redundant when he was 57 during a period of high unemployment and was unable to get another job. However he had paid off his mortgage and assumed that his redundancy package and pensions would be sufficient to 'see him out'. But a few years down the line he found that his pensions were not keeping up with the cost of living and he was also finding it hard to meet all of his housing costs. These included an annual maintenance bill of £1,000 since he lived in a communal block of flats. A survey of the roof on these flats had also revealed that major repairs were necessary at a cost of £25,000 per owner. Mr M had very little savings and a fairly modest annual income of £11,000 after tax and so could not afford to pay for these repairs. However his flat was worth between £350,000 and £400,000 (but the equity release company valued it at £300,000) and so he was asset-rich and relatively income-poor. Having been refused a traditional loan on the basis that he was too old and his income was too low, he turned to equity release and received a lump sum of £69,000. He was able to pay for the repairs and have a sufficient amount left over to live a more comfortable and enjoyable lifestyle. As Mr M says, it gave him a new lease of life.

Box 6.2 The experience of being asset-rich, income-rich

Mr G was 80 at the time of the interview and had taken out an equity release plan with his wife when he was 76. His house was worth £350,000 and he had an income of £25,999-£29,999. He was therefore asset-rich and income-rich. He and his wife wanted to move to a house that was nearer to their family but it was more expensive at £485,000 leaving a shortfall of £135,000 between the sale of their existing house and the cost of the new one. He made a strategic decision to take out a lifetime mortgage. Mr G explained that he and his wife could cover this shortfall with their own savings but as they were producing a good income they were reluctant to do this. Consequently, they used their savings in the short term to purchase the new house but then replaced them by taking out a lifetime mortgage on the new property.

6.3 Using the money from equity release plans

Having looked at the participant's socio-economic characteristics in order to get an idea about the kinds of people who use equity release products (and some sense of why they

might be taken out) this next section combines the quantitative and qualitative data in order to build up a detailed picture of how and why equity release products are used.

Table 6.7 indicates that the money from participant's equity release plans was used in a variety of ways but some of the more common uses were house maintenance and improvements, debt clearance and holidays.

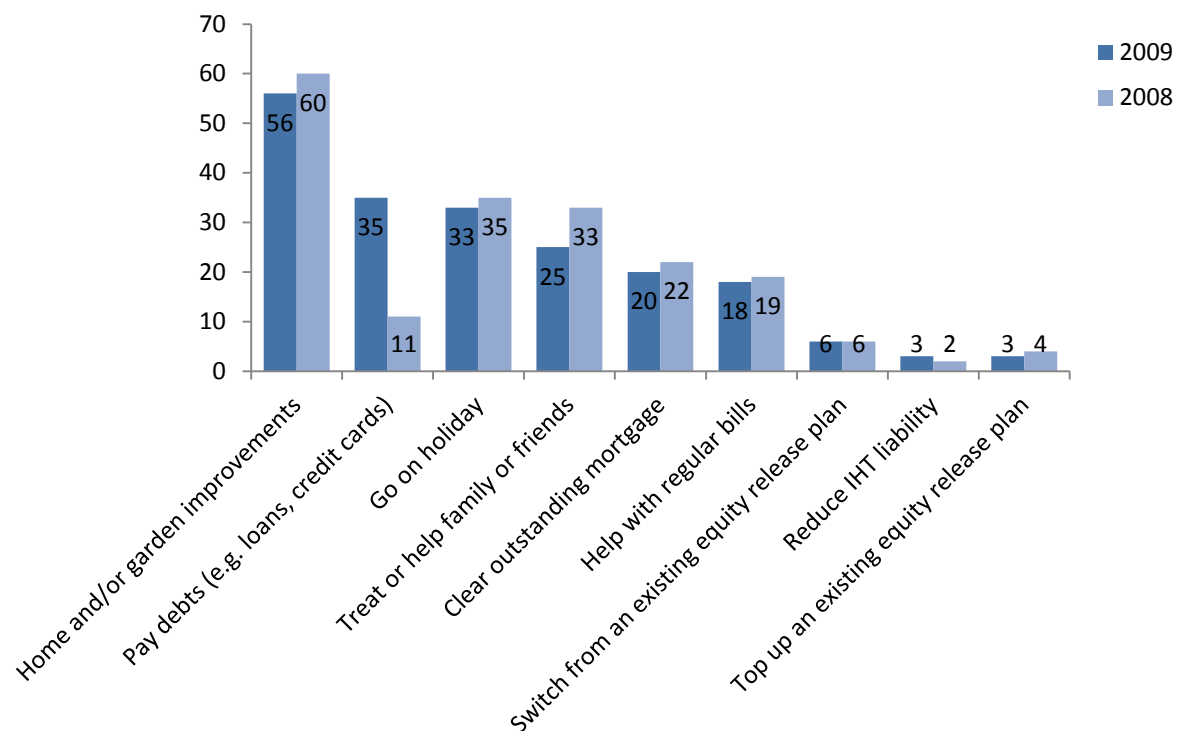
Table 6.7 Ways in which participants made use of their equity release money¹

Use(s) of money	%
House maintenance/repairs	46
Holidays	36
Debt clearance	35
House/garden improvements	33
Help out or treat family/friends	26
Investment and saving	24
Everyday living expenses/regular bills	19
Leisure activities	17
Other	12
Reduce inheritance tax liability	9
Pay for health/care needs	8
Early retirement	1

¹Participants were permitted to provide multiple answers therefore the total in this table exceeds 100 per cent.

These findings are consistent with research carried out by Key Retirement Solutions (see Figure 6.1) an equity release specialist adviser arranging almost 25 per cent of all SHIP-compliant equity release business and over 33 per cent of SHIP-compliant intermediary business (Key Retirement Solutions, 2010). In 2008 and 2009 they found that home and garden improvements, debt clearance and holidays featured in the top three uses for equity release.

Figure 6.1 Industry data on the ways in which customers make use of their equity release money



Source: Key Retirement Solutions Market Monitor, 2010

Follow-up interviews provided the opportunity to get more of an idea about the kinds of home improvements and repairs that participants had carried out. They included new garden fencing, new windows, new or adapted bathrooms, new boilers, re-roofing, re-pointing and general decorating. With only small amounts of savings, if any, it is not surprising that some of the participants had to rely on equity release to provide the large capital sums that were needed to carry out these repairs.

Indeed as we saw in Chapter 2, a few years ago older people might have been eligible for grants from local authorities to assist with housing repairs and maintenance (Forrest and Leather, 1998) but they are now encouraged (or forced) to use their own resources. In 2001,

the DETR stated that *'It is only right that responsibility for maintaining privately owned homes, which for many is their most valuable asset, should be first and foremost with the owner'* (p.9).

The changes that some of the participants were making to their properties also say something about the way in which older people are investing in their homes to meet their future needs. Using equity release products to pay for new or adapted bathrooms, for example, seems to be linked to preferences for aging in place. Research often shows that older people would like to remain in their homes as they age (e.g. Croucher, 2008) and it is these sorts of changes that might enable them to do so.

Indeed one of the reasons that Mrs D took out an equity release plan was so that she could have an extension built to provide space for a downstairs toilet and shower room. She had health problems which made it difficult for her to get up and down stairs. Being unable to afford to move into a bungalow she and her husband used equity release to adapt their current home. This meant that it would be suitable for her in the future when her health problems would probably worsen.

A female survey participant also explained that due to her husband's ill health (he was suffering from vascular dementia) they needed money to make a number of adaptations to their home including a wet room which enabled him to be cared for at home rather than in a residential home. As his health deteriorated he was eventually forced to go into a nursing home but the equity release plan allowed him to stay at home for longer than he would have

done without it. This sort of individual investment is also of benefit to governments who are keen to reduce the costs of care as populations age.

When Davey conducted her study of equity release customers in 1995 she found that just 24 per cent of participants had used the products to pay for repairs or improvements to the home. There are a number of possible reasons for this. One is that it reflects the policy changes outlined above which place greater responsibility on the individual for maintaining owner-occupied homes but it might also have something to do with savings. Unlike the participants in this study, the majority of participants in 1995 had some savings and 38 per cent of them had savings of over £8,000. Perhaps this is why so few of them, in comparison, had used equity release for housing repairs or improvements but were much more likely to have used equity release for everyday living expenses (86 per cent in 1995 compared with 19 per cent in 2009).

The difference may also be due to the availability of different types of products. When Davey carried out her study the majority of participants had taken out some form of income plan which tended to provide a monthly income. In contrast, the interviewees in this study (and possibly many of the survey respondents) had taken out lump sums not least because these are now much more readily available than income plans. Furthermore, Home Income Plans of the sort Davey's participants were using are no longer available, as mentioned in Chapter 5. But the difference could also be due to unreliable comparisons given that Davey asked an open-ended question to find out what respondents had spent the money on (see appendix 4.1).

More than a third (35 per cent) of participants in the 2009 survey had used equity release to repay mortgage or other kinds of debt. This marks one of the most significant changes since 1995. Notwithstanding differences in the questions used to ask respondents what they had spent their money on, there was no mention of equity release being used in this way when Davey carried out her study. This is partly because companies have altered their eligibility criteria meaning that customers no longer have to be outright owners and can (or must) use equity release to pay off their mortgages. But Davey (1996) did not indicate that the participants' had used equity release to clear non-mortgage debt either. The fact that this is now a fairly common use of funds suggests that debt in retirement is a growing problem and (aside from mortgage debt) raises some important questions about the adequacy of pension income.

Research by McKay et al (2008) suggests that borrowing is potentially a source of financial difficulty among some older age groups. The rate of growth in outstanding credit (between 1995 and 2005) was fastest for those aged 55 to 59 (increasing almost five times) and those aged 60 to 64 (where four times as much was owed in 2005 as in 1995). The amount owed in outstanding mortgages also increased over this period and the fastest rates of growth were seen among those aged 60 to 69, for whom the level of outstanding mortgage increased three-fold, from £10,000 to £30,000 (McKay et al, 2008).

Some of the interviewees had fairly substantial amounts of unsecured debt. Mrs D, for example, had used some of her equity release lump sum to pay off a £15,000 bank loan which she and her husband were finding very difficult to manage as it required monthly repayments of over £200. Mr H had also released equity to clear £19,000 worth of credit

card debt and was still in debt at the time of the interview. Not surprisingly, those with mortgage debt owed larger amounts but it was not always considered to be problem debt. Some interviewees were managing to make the repayments but felt that these were reducing their expenditure opportunities in other areas. For others, however, the mortgage debt was unmanageable. In these cases sums were particularly large and some interviewees had not anticipated that they would end up owing such considerable amounts when their endowment mortgages failed to cover the total repayment balance of their mortgages:

'Our financial advisor gave me wrong advice on a plan that I'd got and when it matured it was £48,000 short' (Mr R).

The failure of endowment mortgages to cover the total repayment balance of a loan represents one of the risks of market provision and, in particular, financial deregulation which opened up the market for this type of loan. They became increasingly popular in the 1980s and accounted for 84 per cent of new loans in 1988 but in 2004, it was estimated that 80 per cent of the remaining 8.5 million endowment mortgages would not meet their target of repaying the full loan (Treasury Select Committee, 2004). Relying on equity release to counter the problems caused by these loans, however, carries potential further risks. As Mr R said, he and his wife were initially quite cautious about entering into a plan in case they were *'jumping out of the frying pan and into the fire'*. However, since regulation was introduced and SHIP was established, some of the main risks have been reduced. Equity release plans can therefore provide a solution, or at least partial solution, to the financial difficulty caused by mortgage debt in retirement.

While equity release is now commonly used to alleviate debt, it is also tends to be used in more positive ways. Table 6.7 shows that thirty six per cent of the sample had spent some or all of their money on holidays which is more than twice the number of customers using equity release for this purpose in 1995 (15 per cent). This arguably adds weight to the popular image of hedonistic baby boomers wanting to make the most of their retirement. However, the interviews revealed that the nature and extent of travel varied with some using equity release primarily for frequent or exotic holidays while others were using the money mainly for essentials whilst also enjoying an annual holiday or even just a one-off trip which had previously been unaffordable.

'At the beginning of 2008 we went round the world and we wouldn't have done that if we didn't have this money' (Mr W). This interviewee explained how he and his wife had spent £25,000 of their £80,000 lump sum on holidays in two years (while £30,000 had been used to clear their mortgage).

'It means I can go on these nice expensive holidays which I wouldn't have been able to before' (Miss S).

'We've been able to have a holiday which we haven't had for a few years' (Mrs O).

Using equity release to help out or treat family and friends was also a relatively common use of funds and again, this supports research carried out by the equity release industry (Key Retirement Solutions, 2010). Twenty six per cent of the sample indicated that they had used some or all of their money in this way. The interviews revealed that there were a variety of reasons why people had passed on some of their housing wealth to children or grandchildren including to help them pay off their debts, to enable them to travel and to

ease the financial difficulty of divorce and periods of unemployment. But there were also interviewees who wanted to provide their children with an early inheritance, not because they were in obvious financial difficulty, but simply because they felt they would get more benefit from the money now rather than waiting until they died.

About a quarter of the sample indicated that they had saved or invested some or all of the money from their plans. This is more than expected because such uses are not encouraged by the Financial Services Authority (FSA). The FSA conducted a mystery shopping exercise in 2004/05 and became concerned that advisers were recommending that consumers borrow a lump sum and then invest it without explaining the implications of this. As we saw in the previous chapter, there are products available that allow consumers to draw an income from lifetime mortgages. Instead of recommending this option, advisers were suggesting that consumers release a lump sum (which is more profitable for the provider) and invest it with a view to taking small withdrawals to provide an income stream. As well as being more expensive for the consumer, partly because invested income or capital from equity release is taxable, this route might also unnecessarily expose individuals to investment risk (Financial Services Authority, 2006).

The interviews suggested, however, that people did not tend to invest or save all of their equity immediately; rather, they had spent a certain amount and then saved or invested the remaining share. This was because they wanted a nest egg but also because they did not want to or, could not, spend the entire lump sum straight away. With the continued development of more flexible draw down plans, therefore, people may not need to save or invest so much of their capital and thereby expose themselves to investment risk.

One interviewee, Mrs H, had borrowed a lump sum of £50,000 using a lifetime mortgage. Prior to taking out a lifetime mortgage Mrs H and her husband had an annual household income of less than £10,000. They added the lump sum to their existing savings and invested the entire amount in order to produce a monthly income. This option was discussed at length with her adviser and while she seemed very satisfied with it, an income-based plan is likely to have been less costly. Mrs H's experience was unusual amongst the interviewees but there could have been many more survey respondents who had also been advised to take out a lump sum rather than opt for an income stream.

6.3.1 Different purposes for different people

The findings outlined above suggest that equity release is being used to support retirement in a number of different ways, supporting industry observations of a trend towards segmentation of the market. When Davey carried out her study in 1995, equity release seemed to be used mostly for everyday living expenses among middle income home owners. The increasing diversity found in this survey suggests that customers' circumstances are now more varied and the role (or roles) that equity release products play is likely to reflect these.

Cluster analysis was therefore carried out to see if the sample contained groups or clusters of participants who used equity release plans for different purposes and whether or not their socio-economic characteristics and circumstances seemed to be related to these. The analysis produced three clusters (see Appendix 6.0 for detail on the type of method used and an assessment of the solution). Nearly a quarter of clustered cases (24 per cent) were in Cluster 1, almost half (46 per cent) were in Cluster 2 and just under a third (30 per cent) were in Cluster 3. As Table 6.8 shows, the participants in these Clusters used equity release

plans in different ways. The follow-up interviews were used to explore these differences and the reasons for them in more detail.

Cluster 1 - Passing it on

The majority of participants in this cluster (97 per cent) were already 'doing alright' or 'living comfortably' before entering into their plans. Table 6.9 also indicates that they were financially better off than those in Clusters 2 and 3. In particular, they were more likely to have savings and investments, higher incomes and more valuable homes.

Unlike those in Clusters 2 and 3, half of all the participants in Cluster 1 recorded just one use for the money from their plans and a further 27 per cent recorded just two uses (see Table 6.10). Equity release was not being used to provide an overall boost to income or capital but to enable one-off expenditures and/or the transfer of wealth to family or friends. As Table 6.8 shows, some of the participants in all three Clusters had spent money on family or friends. However, follow-up interviews suggested that using equity release *primarily* to pass on housing wealth to children or grandchildren is what distinguished these participants from those in Clusters 2 and 3.

There were a number of reasons why participants had done this but for the majority it included helping their children to pay off debts, paying for university education, enabling them to travel and easing the financial difficulty of divorce and periods of unemployment. Some interviewees wanted to pass wealth on to their grandchildren in the form of trust funds so that they could increase in value and provide an asset that would pay for their university education or training when they were older.

'The main reason I did it [equity release] was to help my daughter. She had gone through a divorce after 20 years of marriage. She had managed to find herself a small flat to live in but her financial circumstances weren't good and I took the attitude that some of the money from the house that she would be entitled to when the wife and myself passed on would be more beneficial to her now' (Mr L).

'I took it [equity release] out for my son because he's got a wife and two little boys and he was in financial trouble and it got to the point where he had got to sell the house and I didn't want them to have to do that. I said I'd rather sell mine than sell yours so that's when I looked into this equity business. They got 60 per cent and I got 40 per cent which was over £70,000 and I gave my son £50,000' (Mrs B).

These findings point to the important role of parental housing wealth in helping children and grandchildren to meet their welfare needs and secure a decent educational and employment future. As the cost of obtaining a university education increases, it is likely to play an increasingly central role. By extension, these findings suggest that the life chances of those who do not have access to parental housing wealth will be (further) compromised.

For some interviewees, however, the decision to pass on housing wealth was based not so much on their children needing the money now but more on a desire for them to have it at this particular time in their lives.

'We talked to them [interviewee's children] about it. They were very concerned that we might be doing ourselves a disfavour but ultimately we persuaded them and with a little bit of savings we've got we were able to give them £50,000 now which I think might be more valuable than when I die. Anyhow, I saw the pleasure of them getting it which I won't when I'm dead' (Mr E).

Whatever the exact reason for passing on housing wealth, all of the interviewees saw more benefit in doing so at this stage rather than waiting until they died. Changes in traditional patterns of family inheritance where children inherit their parent's wealth in middle age are

likely to be linked to demographic shifts. Indeed as people live longer their children are more likely to be in their fifties by the time they die and perhaps, therefore, financially secure with (unmortgaged) homes of their own. This is something other research has acknowledged. Izuhara (2005), for example, suggests that as people live longer they may increasingly decide to make early bequests and the International Longevity Centre (2003) suggests that wealth is likely to start skipping a generation and go straight to grandchildren.

Given the ability to use their housing wealth in this way, i.e. for the benefit of others, it is perhaps not surprising that the interviewees in Cluster 1 had fairly substantial levels of housing wealth and also indicated that equity release had the advantage of reducing inheritance tax liability. They were keen to emphasise, however, that this was not the primary motivating factor.

These findings, then, seem to go against the popular image of baby boomers 'Spending their Kids Inheritance' (SKling). According to David Willetts, the Conservative MP who wrote the book called *The Pinch* (2010), the baby boomers have taken their children's future and should give it back. He argues that they have benefited from a particularly favourable economic environment and have more financial, housing and pension wealth than younger generations are likely to be able to accumulate in their lifetimes. With regard to financial wealth, he argues that it belongs almost entirely to those in their fifties and sixties and having not built this up until the children have left home '*we run it down in the early stages of retirement when we use the money to go diving on the Great Barrier Reef. We do not appear to want to pass it on to our children*' (Willetts, 2010, p. 71).

He paints a similar picture in relation to housing wealth. We have seen already (in Chapter 3) that the boomers' own substantial amounts of housing wealth (half of all wealth in owner-occupied housing) and Willets (2010) says that the boomers have increasingly come to think of their house *'not just as a place to live but their own personal gold mine which could pay for holidays or cars, or be their pension'* (p.77). While the research for this thesis has certainly found evidence of such thinking, the findings outlined above show that some of these baby boomers are already passing on some of their good fortune to their less fortunate children.

Many of the interviewees who had used their housing wealth gains to help out or treat their children recognised that their generation had been lucky, having enjoyed greater opportunities and prosperity in the housing market, the jobs market and pensions than their children were likely to. The following interviewee, who had helped his son to clear his debts and given him some money to go travelling with, sums up this general feeling:

'The thing is you both have to be working to live now whereas when I had my kids I could afford for my wife not to work and I wasn't a great earner but it was sufficient. The other thing is I bought my first house for £2, 000 and sold it for £27, 000. Then I bought another one that was £30,000 and sold that for £100,000 and so it goes and when I look back I really haven't paid anything to live in a house...So I've been able to relieve my kid's problems, cash wise, out of our good fortune' (Mr C).

Aside from making early bequests, participants in Cluster 1 were also most likely to have spent their money on 'other' uses. The open responses to this question suggested that these typically involved buying new cars, houses, holiday homes and financing divorce settlements which seems to be a fairly new trend and is likely to reflect increasing divorce rates among older people (SHIP, 2009c). Equity release products (and home reversions in particular)

provide people with the ability to pay off their ex-partners' share of the property while still being able to remain in their homes, as the following participants explained:

'My ex-wife, on our sad divorce, wanted her share of the family home. It was either sell the home or go with equity release. I chose equity release so that I could stay here' (Male Survey Participant).

'It has allowed me to stay in the house I waited years for. Even though I do not own it now, it is home' (Female Survey Participant).

There were two interviewees from Cluster 1 who had used equity release to make one-off lifestyle (or strategic) purchases. Ms W took out an equity release plan to purchase a holiday home abroad. Her savings alone could not cover the cost of this and so she combined them with the lump sum that she obtained from a lifetime mortgage. Her adviser made clear that this was a particularly costly means of financing the purchase but opted for it anyway. As she explained:

'I didn't want to have a loan that I was paying back month by month 'cause I wouldn't have an income or it would be reduced so I wouldn't be able to do that. The other thing is, I'm a single person my house has gone up in value and the next house I buy will be smaller so whatever I need I'm not going to need that amount and I don't have any dependents' (Ms W).

Another interviewee, Mr G, took out a lifetime mortgage in order to replenish the savings he had used to purchase a new, more expensive, house that was closer to where his daughter lived. His savings and investments were producing a good income so he did not want to reduce these and lower his standard of living. The plan was therefore taken out on the new

home he bought and the lump sum was subsequently invested to replenish the savings he had used to make the purchase in the first place.

Something that all these interviewees had in common, then, was their ability to make real choices about the way in which their housing equity was used. They did not need to use their housing assets for financial security. Instead, they chose to use it for the benefit of others or to further improve their own standard of living.

Cluster 2 - Enhancing later life

The participants in Cluster 2 were not 'finding it very difficult' to manage before taking out an equity release plan but neither were they 'living comfortably'. Equity release enabled them to maintain or enhance their lifestyles by allowing a wide range of housing and non-housing consumption. The participants in this Cluster recorded the largest number of uses for the money from their plans (see Table 6.10). Most of those interviewed from this Cluster had private pension income and some savings which were frequently described as being sufficient for day-to-day living but not for additional, larger items, such as holidays, house improvements and repairs, new cars and so forth.

'We haven't got a lot of money I mean we've got enough to live on but not enough to do the extras with' (Ms S).

'We've got a bit of capital but not a lot and we've both got private pensions which we live off so we thought why not take a bit of money out the house and enjoy it' (Mr W).

This group had lower levels of savings and pension income than those in Cluster 1 for various reasons. These included having already used up capital and pension lump sums either

because pensions had not kept up with the cost of living or because people had been enjoying their retirement as the following interviewee explained:

'I'd retired in late 85 and I had quite a good lump sum and we had spent it quite well on cruising and one thing and another and we came to the conclusion that we were running out and how could we continue that level of life and this [equity release] was the way we went about it' (Mr Y).

More often than not, however, the interviewees in this Cluster had never been able to acquire the level of savings enjoyed by those in Cluster 1 and this was attributed to experiences such as ill health, self-employment, bankruptcy, starting new jobs later on in life and other key life events which had, in some way or another, affected the amount that they had been able to save. This meant that they used equity release to provide capital and like those in Cluster 3, commonly used it for repairs, improvements and replacing household appliances and other essential items. But they were also more likely to have been able to enjoy the money and this represents one of the biggest differences in the use of equity release between Clusters 2 and 3.

The results of the cluster analysis in Table 6.8 show small differences between Clusters 2 and 3 in terms of using equity release for essentials (apart from debt clearance where there is a considerable difference) but large differences in the lifestyle categories (i.e. holidays and leisure activities). This may be why the interviewees in Cluster 2 were most likely to emphasise the positive impact that equity release had had on their standard of living.

Mr M, for example, had not had a holiday for 18 years because his pension income only enabled him to have a fairly basic standard of living. Although he initially took out a lifetime

mortgage in order to pay for essential property repairs he has been able to use the remaining amount to enjoy a more comfortable lifestyle and go abroad at least once a year.

Many of the other interviewees from Cluster 2 were not only more financially secure and free from worrying about meeting future housing and living costs but they were also having a more enjoyable retirement so equity release often played a dual role. The quotation from the following interviewee sums this up.

'I'm able to live as I did when I was working. I don't have any worries now about if I want something or of the washing machine breaks, for instance, I know I can go out and buy a new one and I don't have to have it on hp or have to borrow so its peace of mind really... I can afford to go out with friends and it makes life a lot easier. I'm not so secluded or cut off from the rest of the world which you would be ... I've put myself in a bracket where I can please myself' (Mrs C).

Cluster 3 - Getting by

The majority of participants in Cluster 3 were 'finding it difficult' to manage or were only 'just about getting by' before taking out their equity release plans. Although the quantitative analysis indicated that their income levels were similar to those in Cluster 2, it also showed that they were considerably less likely to have savings (see Table 6.9). The interviews (and open survey responses) suggested that without this buffer, funding retirement with pension income alone was often very difficult, particularly when faced with large one-off expenses for house repairs or improvements as well as lower level ongoing maintenance costs.

The following quotations illustrate the way in which equity release plans were commonly used among this group to meet essential, housing related costs, and give a sense of why equity release was necessary.

'We felt that we'd never been able to save very much at all not that we lived very high and spent every penny we earned but we just hadn't been able to save...so it [equity release] was to enable us to have the opportunity of raising money when we needed it for things like house repairs, and unexpected things that happen when you're a householder' (Mr T).

'Pensions do not keep up with rising costs of living. I spend very little on holidays but find the costs of running a home and essential car increasing annually. House maintenance and replacing items and car costs can't all be provided from my income' (Female Survey Participant).

'It [the equity release plan] was for keeping a house over my head, the fuel bills and things. It's alright getting this £400 but it's £1200 a year and the problem is when you're my age and you're not so mobile you need more heat just when you can't afford it' (Ms C).

'I had retired early to look after my disabled wife and had used the savings. My pension would not have financed the work I needed to do on the house' (Male Survey Participant).

Some of the costs that these participants faced would have been paid for by landlords if they had been living in rented accommodation. Some years ago they may also have been able to get help from their local authority in the form of grants for repairs, maintenance or adaptations. But with a reduction in this type of provision, home owners increasingly have to use their own resources. Thus home ownership can reduce living costs in retirement and owner occupiers are no doubt better off than those who have never been able to access home ownership, but these findings support other research which suggests that it can also be a financial burden, particularly for low income pensioners (e.g. Gibbs and Oldman, 1993; Hancock, 1999).

Although equity release plans can provide a solution to some of these funding problems they can also create a financial burden in the long run. For those taking out home reversions, for

example, where the house or a share of it is sold to a private company, the customer has to maintain the home to a standard agreed by the provider. One participant indicated that their house had to be redecorated every three years.

Others may find that over time, they are not able to release enough equity to cover the costs of repairs or adaptations. Ms C, for example, who was 83 years old at the time of interview had taken out a home reversion plan over ten years ago and had since taken out a small lump sum. She now only owns about 5 per cent of her house which is worth around £115-120,000. She lives in an old Victorian terraced house with very steep stairs and a downstairs bathroom. She would like to be able to move to a single storey flat or turn her existing bathroom into a wet room. However while customers are technically allowed to move house with an equity release plan (if it is a SHIP-compliant plan), the new property has to be of equal or greater value. This makes moving to a more suitable property quite difficult for Ms C because her existing property is worth relatively little. Unless she can get a grant from her local authority she has no way of making the adaptations that she would like to and feels trapped in a house that is unsuitable for her. Although these issues could apply to all equity release customers, those on relatively low incomes with small amounts of savings and limited housing assets, like the participants in Cluster 3, are more likely to be affected.

Many of the participants in Cluster 3 were not only finding housing costs difficult to meet but they also tended to be in debt and had used equity release to help clear or reduce these. There were a variety of reasons for why they were in this situation. Some had moved into retirement with substantial amounts of mortgage debt and could not afford to make the repayments. For one interviewee, Mr D, this was because he did not realise he was only

paying off the interest on his mortgage. It had been changed several years before when he was experiencing financial problems and he had forgotten about it. This left him owing £84,000. For another interviewee, an endowment policy had failed to cover the total repayment balance of his mortgage leaving him with an outstanding balance of £48,000. Others, however, had built up credit card debt during retirement due to their low income and lack of savings which had effectively forced them to rely on unsecured credit, as the following interviewees explained:

'The [equity release] loan was to pay off my visa debits because the thing is when you've no savings, every time anything goes wrong, for instance I need a new fridge freezer, mine's on the blink, it will have to go on one of my visas 'cause I've nothing in the bank. When I say I've got nothing in the bank I've got something like £1100 but when you think of drawing out £200 for this and £200 for that it's not going to last very long is it' (Ms C).

'If I'd have had sufficient savings we wouldn't have got into debt and wouldn't have had to have an equity [release plan] probably...I try to save and then I get so much saved up and then think we've got to sort this out or that out. Bills of course are quite high up here and because we live in a nice district the rates are quite high and the gas and electric of course have shot up' (Mrs W).

These findings point to the importance, or rather necessity, of personal assets for meeting income needs in retirement and to the changes in welfare and pension provision that have increased older people's reliance on them. All of the interviewees in this cluster felt that they had no option but to use the value of their homes because their pensions failed to meet all of their income needs. This is no doubt why participants in Cluster 3 more generally were most likely to say that equity release was a last resort (see Table 6.8).

Even though equity release had alleviated some of the financial difficulty that they were in, the money was mostly spent on essentials rather than luxuries and so Cluster 3 interviewees did not tend to feel much better off. Unlike those in Cluster 2, they were not able to enjoy the money *and* meet essential costs partly because they tended to have lower levels of housing wealth but also because they were more likely to have spent some, or the majority, of it on clearing debts. So the money tended to ease some of the stress and anxiety that they were experiencing beforehand but did not make a significant difference to their standard of living.

'It hasn't made it [standard of living] better...but I've got less debt now' (Mr H).

'At least the mortgage is paid, we have got a roof over our head...alright we still might not be loaded but at least we haven't got that worry' (Mrs O).

'Equity release has not changed our lifestyle just provided us with peace of mind' (Male Survey Participant).

'The relief from worrying about getting into debt has been a real boost to my daily life' (Female Survey Participant).

But equity release did not bring complete security and peace of mind for all participants in Cluster 3 and some still had concerns about how they might manage in the future:

'We're in the same situation again where we haven't got enough money to pay the bills this winter but I mean we can only do it [withdraw more equity] this once and that's it' (Mrs O).

'I'd say we are keeping our heads above water but that's all I can say really' (Mrs D).

'The regular monthly payments keep our bank balance in better shape, at least for the moment until we are once again overtaken by ever mounting costs in the future' (Male Survey Participant).

Table 6.8 The role of equity release for participants in Clusters 1, 2 and 3

	1 Passing it on n=99	2 Enhancing later life n=190	3 Getting by n=123
Financial situation before equity release			
Finding it very difficult	0	1	11
Finding it quite difficult	0	5	24
Just about getting by	3	40	54
Doing alright	36	47	10
Living comfortably	61	7	1
Equity release was a last resort			
Strongly disagree	39	13	1
Tend to disagree	23	18	6
Neither agree nor disagree	23	43	11
Tend to agree	7	19	43
Strongly agree	8	7	39
Couldn't do without the money			
Strongly disagree	42	4	2
Tend to disagree	26	17	9
Neither agree nor disagree	16	36	9
Tend to agree	10	32	37
Strongly agree	6	11	43
Equity release enabled a more enjoyable retirement			
Strongly disagree	13	1	6
Tend to disagree	17	0	9
Neither agree nor disagree	21	7	21
Tend to agree	21	46	40
Strongly agree	28	46	24
Use of money			
Everyday living expenses	1	23	28
Maintenance/repairs	10	67	50
Home improvements (ns)	27	38	34
Clear debts	10	24	78
Investment and saving	15	33	16
Help out/treat family/friends	35	27	12
Holidays	19	63	15
Leisure activities	8	35	0
Other	32	8	6

Table 6.9 Socio-economic characteristics of participants in Clusters 1, 2 and 3 (column percentages)

	1 Passing it on n=99	2 Enhancing later life n=190	3 Getting by n=123
Income			
Under £10,000	13	23	29
£10,000-£14,999	23	37	40
£15,000-£19,999	31	20	13
£20,000 or more	33	20	18
Income source			
Private pension	93	87	82
State pension (ns)	100	100	98
Pension credit	10	10	23
Other SS benefits (ns)	12	14	18
Savings and investments	52	44	14
House value			
Under £100,000	2	6	11
£100,000-£149,999	16	17	22
£150,000-£199,999	21	33	33
£200,000-£249,999	17	21	14
£250,000-£299,999	20	11	5
£300,000 or more	24	12	15
Age (at plan) (ns)			
Under 70	33	42	45
70-74	32	29	24
75-79	14	19	14
80+	21	10	17
Entered into plan with: (ns)			
Husband/Wife/Partner	60	60	55
No one else	40	40	45
Marital status			
Married/cohabiting	52	60	53
Separated/divorced	15	8	16
Widowed	28	20	23
Single	5	12	8
Children			
Yes	80	70	77
No	20	30	23

Table 6.10 Clusters by number of uses for released equity (column percentages)

	Cluster numbers			
	1	2	3	Total
Number of uses				
1	50	8	20	22
2	27	17	33	24
3	14	32	30	27
4	6	25	11	16
5	3	12	5	7
6	0	3	1	2
7	0	3	0	2
	100	100	100	100

The findings presented above indicate that equity release plays a number of different roles with some people having to turn to housing wealth to meet their income needs while others are using it in more positive ways. This trend towards segmentation of the market marks a significant change from 1995 when equity release was more commonly used by older, middle income home owners to meet essential costs, rather than for lifestyle purposes or for passing on housing wealth to younger generations.

The differences may be indicative of increasing inequality among the pensioner population where the transition from collective to individual asset-holding has produced uneven wealth gains which do not reflect income needs. Those in Cluster 1, in particular, had relatively high incomes and high levels of savings and investments and so were financially secure and able to use their housing wealth to help their children (thus passing on inequality to another generation) or to simply enjoy an even higher standard of living. By contrast, those in Cluster 3 who did not have such high levels of income from private sources and were more reliant on the state pension often found things very difficult. Their relatively low levels of housing wealth therefore had to be used mainly to get by.

These findings not only highlight the inadequacy of pension income for financial security and the increasingly important role of housing assets but they also raise some important questions in relation to the welfare of those who do not own their own homes. There are also potential welfare implications for those with limited housing assets for whom equity release is not such an easy option. The majority of products that are currently available provide the most benefits to those with medium to high levels of housing wealth since there are restrictions on the amount of equity that can be released.

As we saw in Chapter 5, the upper limit is approximately 45-50 per cent of the value of one's home at age 85. Releasing half of the equity from a house worth £200,000 or more clearly provides a much more substantial sum of money than releasing half of the value of a house worth £100,000-£150,000. Yet those in greatest need of additional resources are more likely to have lower value properties. They are also more likely to have low incomes yet we have also seen that equity release products are more accessible to those on middle and higher incomes given the costs involved in taking out these products.

There are, however, other ways in which people can release the equity in their homes and some of these, such as trading down, allow home owners to release more money. So why do people opt for equity release products in order to access their housing wealth? The final section in this chapter explores the reasons why participants chose this particular mechanism and as we shall see, there are a variety of reasons, but trading down was not always possible, especially for those who already lived in small, low value properties.

6.4 Using equity release plans to access housing wealth

Taking out an equity release plan in order to access the capital tied up in one's home might not be considered as economically rational as trading down because less equity can be withdrawn. However it has often been found that older homeowners who want to, or need to, access their housing equity are 'physically, psychologically and socially attached' to their homes (Aleroff and Knights, 2008, p.33; Davey, 1996). Moreover, there can be significant costs involved in moving house. A recent report by the Pensions Policy Institute (2009a) suggests that downsizing from a property worth £350,000 to one worth £230,000 in order to release £120,000 could cost somewhere in the region of £13,100 taking into account the costs of stamp duty, surveys, legal fees and so forth.

Arranging an equity release plan on the same property (i.e. one that costs £350,000) would cost somewhere in the region of £2000⁵. So although equity release start-up costs are considered to be fairly expensive, it can be much cheaper, initially, than moving house. Of course equity release products, particularly lifetime mortgages, incur substantial long-term costs in a way that downsizing does not.

Taking these issues into consideration, the survey asked participants to state why they had opted for an equity release plan to access the money tied up in their homes. Over a quarter of the sample said that it would have been too expensive to move house (see Table 6.11) and the reasons for this may reflect some of those identified in the Pensions Policy Institute (2009a) report. The interviews suggested that it also reflected house prices rises which

⁵ Using Just Retirement as an example, the following fees would be charged when taking out a lifetime mortgage on a property worth £350,000. Arrangement fee: £500. Valuation fee: £350. Advice fee: £749. Legal fees: £425 on average.

meant that some, particularly those with relatively low levels of housing wealth, were not able to move to a cheaper house and realise a reasonable amount of equity, if any. As Table 6.12 shows, Cluster 3 participants were most likely to say that moving house would have been too expensive (although the differences were not statistically significant) and as we have already seen in Table 6.9 these participants had the lowest levels of housing wealth.

The most common reason for using a plan, however, was attachment to family, friends and/or local amenities. The interviewees often spoke about how they had an emotional or psychological attachment to their homes which stemmed from having lived there for many years and having raised a family there. Being able to accommodate visiting family members was often also part of the reason for not wanting to down size.

'Although I'm a bachelor I have a large family spread out over the country and abroad and when they come to town I can often accommodate them and we're a very close family and that all adds to the quality of life that I have' (Mr M).

Having access to transport links and other amenities also tended to be very important as the following interviewee explained.

'Although the house is too big now that the children have moved out it's ideally situated. We're tennis fanatics so we're about as close as we can get to Wimbledon and we are about a couple of miles from Wimbledon common and we've got a good train service into the country or uptown into the west end for shows and we like the house, we've spent a lot on it and we're only about ten minutes walk from the train station' (Mr Y).

Not surprisingly, perhaps, given the average age of participants, the second most common reason was the upheaval of moving house while 1 in 5 participants gave other reasons which regularly included a love of the house and/or its location, not being able to sell the house

and not being able to trade down any further given the size and/or price of their current home. So there were a variety of reasons and although some were more common than others the majority of participants provided a combination of answers.

Table 6.11 Reasons for using an equity release plan to access housing wealth

Reason¹	%
Did not want to move away from family/friends/local amenities	59
Did not want the upheaval of moving house	51
Moving house would have been too expensive	26
Other	18

¹Participants were permitted to provide multiple answers so the total in this table exceeds 100%

Table 6.12 Reason for using an equity release plan to access housing wealth by Clusters 1, 2 and 3

		Moving house would have been too expensive	
		Yes	No
Clusters	1	19	81
	2	24	76
	3	33	67
Total		26	74

Chi square 4.821, df=2, P=0.09 (not significant)

6.5 Summary

Drawing on the quantitative and qualitative empirical data, this chapter has looked at the kinds of people who use equity release products and why they do so. It has also attempted to examine changes over time in the characteristics of customers and their reasons for using these products.

The findings show that the products are mainly used by neither the poorest nor richest pensioners, couples and singles alike, those in their early 70s and those with children. They also show that there is a trend towards market segmentation with different groups using the products in different ways. Historically, equity release products were more commonly used by older, single pensioners and they tended to be used for meeting everyday living expenses (Davey, 1996; SHIP, 2009a).

Today, however, it seems that changes in expectations for retirement are having an effect on the equity release market with some older people choosing to use the value of their homes in order to have a more comfortable and enjoyable retirement. Others are using equity release to make early bequests which also suggests that attitudes to inheritance are changing. However, a significant number are also turning to equity release because their pension income is inadequate, they have very little savings, if any, and they are finding it hard to meet housing and living costs. There is also a relatively high proportion of customers who are using equity release to help clear debts.

This segmentation is likely to reflect increasing income and wealth inequality among pensioners caused by the decline in state provision for financial security and the increase in private provision. Better-off groups have benefited from this shift while less well-off pensioners have been left further behind. This research suggests that if the state pension was more generous these participants would not have needed to use equity release.

These findings therefore highlight the increasingly important role of housing assets (and personal assets more generally) in funding retirement and how equity release products are being used to make an important difference to living standards. This means that they also raise some important questions about the welfare of non home owning pensioners and those with very limited housing assets.

This chapter has also shown that people use equity release products rather than moving house to access their housing wealth for a variety of reasons but more often than not they wish to avoid the social and psychological costs of moving house and moving away from family, friends and the area that they are familiar with. For those with small, low value

properties, an equity release plan is sometimes the only option as they cannot downsize any further.

In summary, this chapter has focused on people's use of equity release products rather than their attitudes towards them. But when considering the potential role of these products in relation to welfare it is not only useful to consider what role they play and how they can make a difference to people's living standards but also how people feel about them. Participants' attitudes to equity release are the focus of the next chapter.

7 ATTITUDES TO EQUITY RELEASE

7.1 Introduction

This chapter concentrates on participants' attitudes to equity release and associated topics such as inheritance and responsibility for financial security in later life. As mentioned at the end of the previous chapter, exploring how people feel about using equity release products as well as their experiences of them can provide an important contribution to debates about the role of equity release products in relation to welfare. It is also likely to tell us something about the possibilities and limitations of policy in this area.

Furthermore, if people increasingly have to use their housing wealth in retirement then it is important that they are given the appropriate information and advice about how to do this and that it is safe for them to use equity release products. One of the biggest barriers to the expansion of the equity release market is considered to be suspicion and mistrust following the problems with some of the products during the late 1980s and early 90s. There is also a perception that the products do not offer good value for money. It is therefore interesting to find out how people feel about this in practice and whether or not these kinds of concerns appeared to be justified.

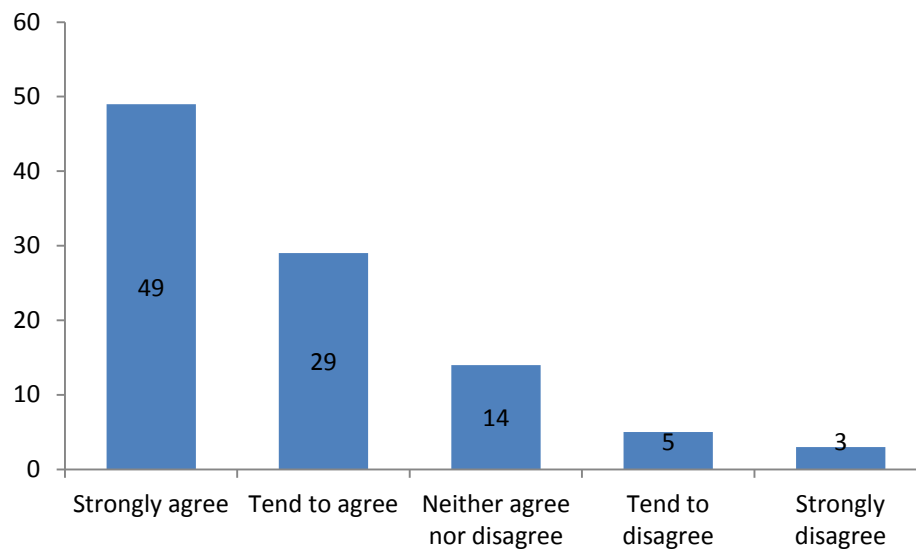
The first part of this chapter presents the analysis of the quantitative and qualitative data on participants' attitudes to using the value of the home, inheritance, responsibility for financial security and making provision for retirement. The second part focuses on the extent to which participants were satisfied or dissatisfied with different aspects of their equity release plans.

7.2 Using the value of the home

Figure 7.1 demonstrates that the majority of the sample (78 per cent) did not think that home owners should *have* to use the value of their homes to supplement retirement income. But it seems that people interpreted the question in a way which meant they did not agree with being forced to use the value of their homes, such as in the case of paying for long-term care. Indeed when the interviewees were asked how they felt about using the value of their homes many of them indicated that they were quite happy to do this and thought that it was a good idea. However, people's attitudes varied according to their reasons for using equity release which meant that there were clear differences between participants in Clusters 1, 2 and 3.

As we saw in the previous chapter, cluster analysis indicated that participants could be divided into one of three groups in terms of how and why they were using equity release products. Those in Cluster 1 were motivated mainly by passing wealth on to their children or grandchildren, those in Cluster 2 used equity release products to increase their financial security and to make the most of retirement while those in Cluster 3 used them out of necessity. We also saw that participants' financial circumstances were related to these different roles. It is perhaps not surprising, then, that the interviewees in Clusters 1 and 2 were in favour of using equity release products while those in Cluster 3 tended to be less supportive and even resentful of having to do so.

Figure 7.1 Homeowners shouldn't have to use the value of their homes to supplement retirement income (%)



N=523

Although the participants in Cluster 3 were generally satisfied with their equity release plans and acknowledged the benefits they had brought, they often wished they had not had to use the value of their homes and equity release was very much considered a last resort.

'I would label it as the last straw really 'cause you don't really want to do it... It helps us but it is the last straw' (Mrs W).

'There wasn't much else we could do; it seemed to be the only option' (Mrs D).

In a number of cases, the participants in Cluster 3 resented having to rely on their housing assets as a result of inadequate state provision:

'I would not have had to take out a plan if the state pension was the same as other European countries' (Male Survey Participant).

'We have worked all our lives and had no pension from working. As it is impossible to live on the miserly State Pension we really had no option but to take out an Equity Release plan' (Male Survey participant).

This participant reported that the state pension was their only source of income which was between £10,000 and £14,999 per year; they did not have any savings or a private pension and were not in receipt of Pension Credit. Their house was worth between £250,000 and £299,999 so they were asset-rich, income-poor.

The following participant, who was 77 at the time of the survey, reported that his household income was under £5,000 per year and that he was not in receipt of Pension Credit. As his response suggests, he and his wife resented having to take out an equity release plan.

'Having worked from the age of fourteen to sixty five we should not have to sell the home we have worked all our life for to enable us to pay to live the few years of life left to us' (Male Survey Participant).

With such a low income they would be eligible for Pension Credit and their equity release adviser should have made them aware of this (which they may, or may not have done). However even with Pension Credit they would still be living on a modest income and without savings they might still have found things difficult and felt forced to rely on equity release.

In contrast to much of the coercion and resentment felt by those in Cluster 3, participants in Clusters 1 and 2 were more likely to suggest that equity release made sense and that it was worth trying to get something back from the investment that they had made in housing:

'It just seemed to me crazy to have the ability to get some money from it [the house] without doing so' (Ms S).

'What's the point of having savings and all this sort of thing and you haven't done anything with it and then you die' (Mr S).

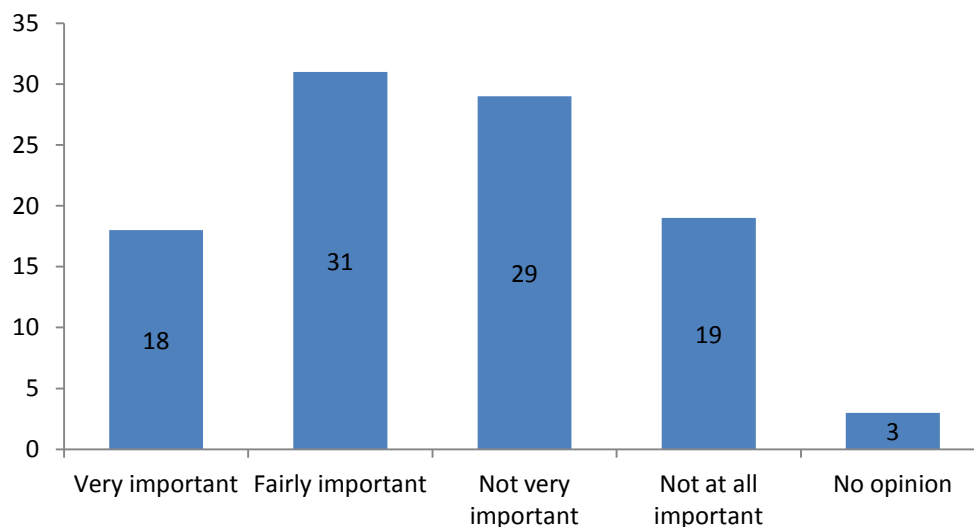
'We've ploughed a lot into the house and you know you feel that that's where your money is in bricks and mortar and with the care and attention we've put into it is our biggest investment and so why shouldn't it help us out in our later years' (Mr Y).

Such different attitudes could be attributed to the fact that these participants did not feel forced into using equity release to avoid poverty. Rather, they were using equity release products to increase their financial security, to make the most of retirement or to help out others. These findings seem to say something about how people view the appropriate balance of responsibility between the state and the individual for living standards in later life. Perhaps people feel that the state has a responsibility to ensure a basic level of income for everyone but thereafter people can reasonably be expected to make provision for a more 'enjoyable' retirement (Ormston et al, 2007).

7.3 Inheritance

Figure 7.2 shows the results of a question which asked participants to state how important it was for them to leave property or money as an inheritance at some point in the future.

Figure 7.2 Importance of leaving money or property as an inheritance among equity release survey participants (%)

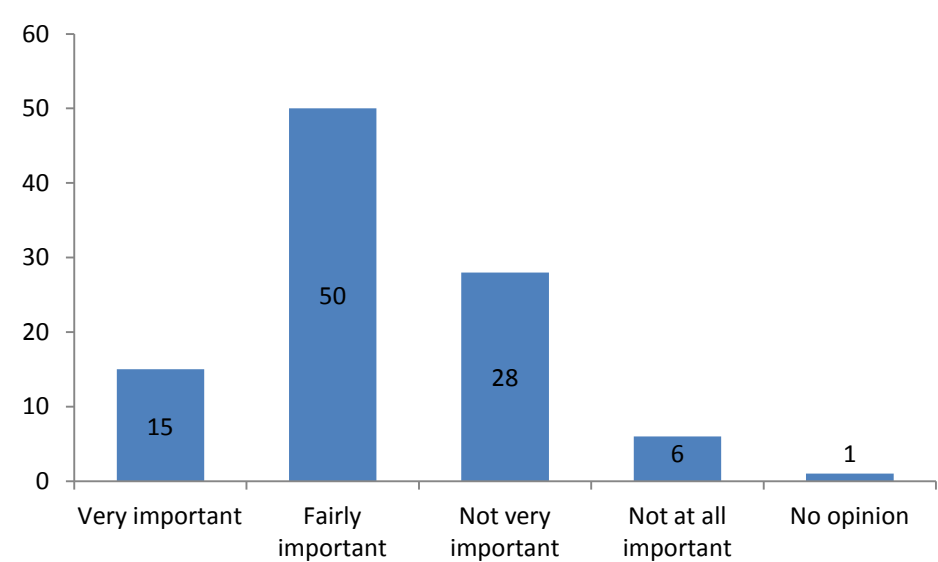


N=537

Forty nine per cent of the sample said that inheritance was important to them but nearly a third of participants (31 per cent) reported that it was fairly important while just 18 per cent said that it was very important. Twenty nine per cent of respondents said that leaving money or property was not very important while 19 per cent stated that it was not at all important. Comparing these findings with those from a previous survey (*Attitudes to inheritance in Britain*, Rowlingson and McKay, 2005) we can see that inheritance is less important to equity release customers than it is to the population overall (see Figure 7.3). For example 50 per cent of participants in Rowlingson and McKay's (2005) survey reported that inheritance was fairly important to them compared with 31 per cent of equity release

survey participants. However both surveys found that relatively few people felt that inheritance was either very important or not at all important.

Figure 7.3 Importance of leaving money or property as an inheritance among potential bequeathers in the general population (%)



Source: Rowlingson and McKay, 2005, p.37

Davey (1996) also asked the participants in her study to state how important inheritance was (see appendix 4.1 for Davey’s questionnaire) and the table below shows that the figures are fairly similar to those found in the 2009 survey of equity release customers.

Table 7.1 Importance of inheritance reported by participants in Davey’s 1995 study

Attitudes	%
Very important	26
Some importance	29
Neutral	2
Little importance	12
No importance	12
Not relevant, no close relatives or children	19
	100

Source: Davey, 1996

The large majority of interviewees in this study said that they wanted to be able to leave some of the value of their homes to their children but were rarely concerned about leaving all of it. There was a strong sense of pragmatism regarding bequests albeit demonstrated in different ways. Some believed that their children or grandchildren would benefit more from having some of their wealth now, rather than when they died. Others felt that their children did not need a substantial inheritance and so preferred to make use of the equity themselves:

'We agreed that the children could do with some money rather than waiting for us to die, we thought it would be useful for them to have it now' (Mr J).

'When we do eventually pop off there could be very little left for them but they are all in their 50s with well established jobs so the need for more money isn't quite as dire as earlier on when we were able to help them...When I was young and getting married I needed all the money that my parents could provide but things have changed...So it's nice to have that extra cash behind us so we don't have to think twice about whether we can afford things' (Mr Y).

The quantitative analysis suggests that participants in general also seemed to take a pragmatic view with the majority taking up the 'middle ground' and relatively few either saying inheritance was very important or, not at all important. Not surprisingly, childless participants were more likely than those with children to say that inheritance was not at all important (39 and 11 per cent respectively) but familial relationships and people's own experiences of inheritance also seemed to affect attitudes.

'I have family, I never see them so I say sod them, I will enjoy myself. They can't sell the property and argue how much they will receive. Sod all' (Male Survey Participant).

‘We’ve worked and bought the house. Why should they [the children] expect it...Neither of us had that. I think today a lot of people expect without working for things’ (Mrs O).

Three of the interviewees in Cluster 3 saw their homes mostly as future help for their children and would rather have been able to leave the full value of their homes as a bequest. However they felt they had no option but to use equity release. Because they owned relatively modest amounts of housing wealth it made it harder for them to meet their own needs and those of their children. Cluster 3 participants, in general, were more likely to have lower levels of housing wealth compared with those in Clusters 1 and 2. Overall, there was very little difference in attitudes to inheritance between the three Clusters (See table 7.2). This is quite surprising given that participants in Cluster 1 seemed to be motivated primarily by passing wealth on to their children.

Table 7.2 Attitudes to inheritance by Clusters 1, 2 and 3 (column percentages)

		Clusters			
		1 Passing it on	2 Enhancing later life	3 Getting by	Total
Importance of leaving money or property as an inheritance	Very important	20	13	16	16
	Fairly important	36	25	34	32
	Not very important	25	35	27	30
	Not at all important	15	22	19	19
	No opinion	4	2	4	3
Base		96	186	119	401

Chi square 9.979, df=8, P=0.266 (Not significant)

The effect of equity release on participants' identify as home owners appeared to be more important in explaining the differences in their attitudes towards using the value of home, as the following section demonstrates.

7.4 The importance of home owner identity

The differences in attitudes towards using the value of the home not only seemed to be influenced by the way in which equity release was used but also the effect that it had on participants home ownership status and identity. Many of those in Cluster 3 tended to feel uneasy and in some cases quite unhappy about equity release 'eating into' the value of their homes.

'I was quite upset when I realised I didn't own my own home anymore. I think I only own about 5 per cent now' (Ms C).

'We put off equity release for as long as possible because not owing our own home was a deterrent' (Male Survey Participant).

'You can't really say you own your own home, the house is mine but it isn't (Mr H).

It seemed that home ownership was important not only for financial security but for psychological and emotional reasons also which is why the interviewees did not want to use up *all* of the equity in their homes; even those who had chosen to use equity release. All interviewees were keen to retain their identity as home owners but Cluster 3 participants in particular felt that equity release compromised this.

This sentiment also sometimes explained why many of the interviewees had opted for Lifetime Mortgages rather than Home Reversions which are only taken out by around 9 per

cent of equity release customers overall (SHIP, 2009a). As Mr L said, *'I didn't want to sell the house to a company and live in it with them owning it. It didn't appeal to me at all'*. Indeed as we saw in Chapter 5, this type of plan results in the loss of legal ownership of one's home even when customers only sell part of it. So although they retain the right to live in the property rent free for the rest of their lives they are no longer home owners.

There was also a general consensus among participants in Cluster 3 that they had worked hard to obtain their homes, which tended to be worth less than the homes owned by participants in Clusters 1 and 2. In contrast, it was common for those in Clusters 1 and 2 to refer to the windfall effect flowing from substantial price gains. They had benefited from the lottery of the market allowing them to accumulate large amounts of 'unearned' housing wealth and this difference in the financial and emotional investment that participants had made also seemed to affect their attitudes to equity release.

'The increase in property value was one of the main reasons why I went in for equity release because the value of the property had gone up so much. I mean it's absolutely ludicrous really we bought this house in 1978 for £20,000 and they were going for about £300,000... so we thought we may as well use this to our advantage' (Mr B).

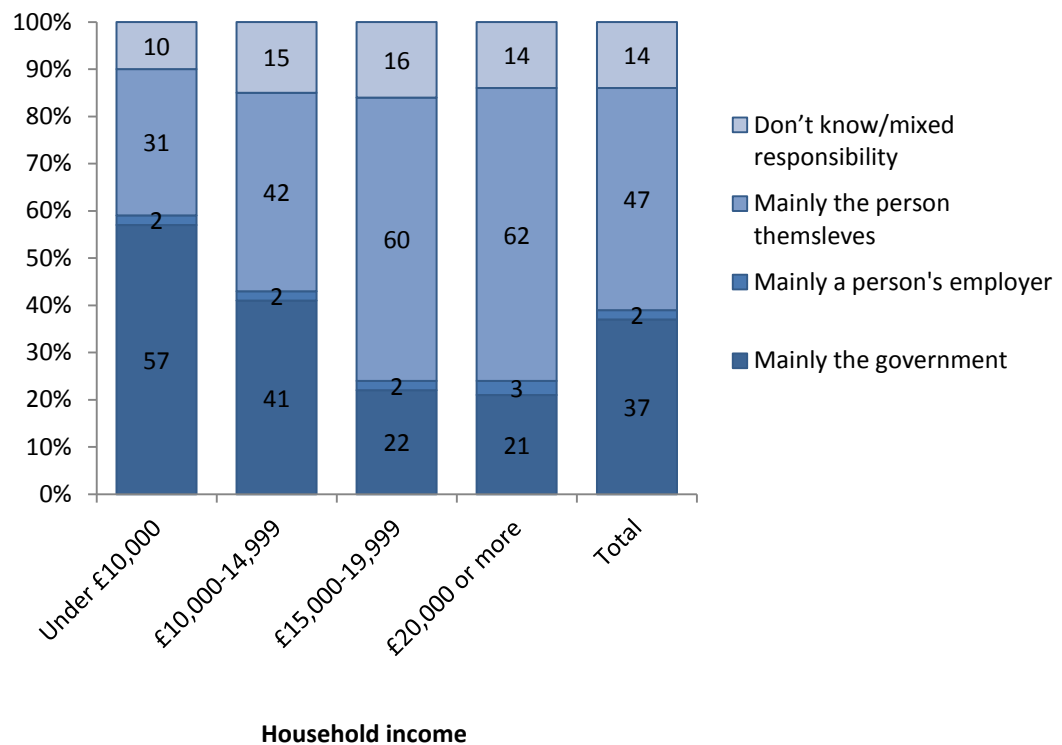
'It [drawing on the value of the home in retirement] strikes me as brilliant. The reality was that within ten years of buying the house because of its huge leap in value we could never afford to buy it again, so we got a house worth far more than we could have ever afford to buy which is farcical really but there we are...the media tend to talk about your home as your hard earned house, reality is you know, I didn't have to work hard to get this house it just increased in value. We paid £5,150 and its now being valued at about £550,000. Ok that was over a long period but it doesn't bear any relationship to your income. We'd have to have, to live in this road now; you have to have a joint income of about £150, 000 whereas our joint income was never more than £50,000. So it's money I haven't earned' (Mr E).

7.5 Responsibility for financial security in retirement

Although the majority of participants believed that homeowners shouldn't have to use the value of their homes to supplement retirement income, close to half of them (47 per cent) indicated that individuals should be mainly responsible for financial security in retirement (see Figure 7.4). Thirty seven per cent felt that the government should take most responsibility for this while very few (2 per cent) felt that it should mainly be the responsibility of the person's employer. Fourteen per cent were not sure who should be mainly responsible or indicated that responsibility should be shared. However there was a clear relationship between attitudes and income. Those with an annual household income of £20,000 or more were twice as likely as those earning less than £10,000 to say that individuals should be mainly responsible for retirement income (62 and 31 per cent respectively). This is likely to be because they can afford to take personal responsibility for their financial security.

Despite being based on different age groups, the figures found in this survey are also similar to those found in the *Attitudes to Pensions* survey (Clery et al, 2006) where 52 per cent of respondents felt that it was mainly up to individuals to ensure they had enough money to live on in retirement while 41 per cent believed that responsibility should lie mainly with the government. Very few respondents either thought that it should be mainly an employer's responsibility or were not sure with whom most of the responsibility should lie (5 and 2 per cent respectively). The pensions survey also found a similar relationship between attitudes and income.

Figure 7.4 Who should mainly be responsible for ensuring people have enough money to live on in retirement, by income (%)



The interviews indicated that while people tended to believe that they should not be forced to use the value of their homes, they were willing to do so in circumstances of their choosing. Choice was important and seemed to influence how people felt about using equity release as well as how they felt about the responsibilities of the state and the individual. The participants in Cluster 3 tended to feel that they had no option but to use equity release despite having taken responsibility for their financial security, not least by paying into a private pension (as the previous chapter has shown, 85 per cent of participants had a private pension). They had made provisions but had not made substantial wealth gains like some of the other participants and so were effectively forced to rely on their housing wealth. This may be why participants in Cluster 3 were most likely to strongly agree that home owners

should not have to use the value of their homes to supplement retirement income. They were also more likely to say that government should be mainly responsible for ensuring people have enough money to live on in retirement. See Tables 7.3 and 7.4 below.

Table 7.3 Attitudes to using the value of the home in retirement by Clusters 1, 2 and 3 (%)

	Cluster Numbers			
Strongly agree that home owners shouldn't have to use the value of their homes to supplement retirement income	1	2	3	Total
	Passing it on	Enhancing later life	Getting by	
	44	44	56	48

Chi square 19.738, df, 8, $P < 0.05$ Cramer's V = 0.157

Table 7.4 Attitudes to responsibility for income in retirement by Clusters 1, 2 and 3 (%)

	Cluster Numbers			
Government should be mainly responsible for ensuring people have enough money to live on in retirement	1	2	3	Total
	Passing it on	Enhancing later life	Getting by	
	24	31	47	34

Chi square 21.411, df, 8 $P < 0.01$ Cramer's V 0.163

This sentiment is also likely to explain the link between income and attitudes that we saw earlier on (see Figure 7.4). Among those with the highest incomes (£20,000 or more) 37 per cent thought that the government should be mainly responsible for ensuring people have enough money to live on in retirement while more than half (57 per cent) of those on the lowest incomes (under £10,000 per annum) thought that this should be the case. This link was also found in the *Attitudes to Pensions* Survey (Clery et al, 2006).

During the interviews, those from Cluster 3 were more likely than the other interviewees to refer to the role of government in relation to older people's financial security and to say that governments should do more to ensure that older people have a decent standard of living.

'I think people that have got a bit of a private pension are penalised against the people who haven't bothered to save. I think people who bother to save and pay private pensions should still get the same as people who haven't' (Mrs O).

'I think the government should raise the pension. It's all very well saying we'll give you a rise but a couple of pound is not a rise. In this day and age they should pay the pension in accordance with inflation so that they can know that pensioners out there who have put a lot into the country by working and paying their taxes at least can live comfortably' (Mrs W).

'I think the government should think about the state pension which for large numbers of people is inadequate, it's absolutely wicked where in one of the richest countries people are afraid to put the heating on' (Mr T).

7.6 Making financial provision for retirement

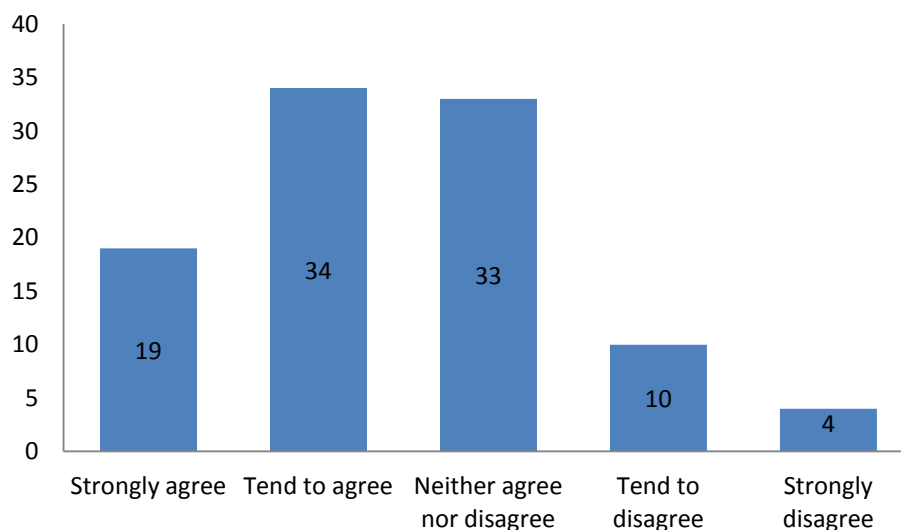
Figure 7.5 below shows that over half (51 per cent) of the sample agreed with the statement that 'investing in property is a better way to make financial provision for retirement than paying into a pension'. This is perhaps not surprising given that housing has provided them with financial support. However as a third said that they neither agreed nor disagreed this also indicates that some people were not able to make a decision either way and this uncertainty may have been heightened given the economic climate. What is clear, however, is that comparatively few people disagreed with the statement (14 per cent) indicating that even with the current uncertainty around house prices participants felt that property provided at least as good an investment as a private pension.

The interviews demonstrated that confidence in property as an investment had waned following the economic and financial crisis but there was still a general feeling of optimism in terms of its potential for funding retirement. The following quotes sum up this feeling:

'Although the property market is a bit stagnant at the moment we do realise it will go up again...it's one of the best aspects of owning your own home because if at the end of the day if for whatever reason your pension doesn't come up to expectation you know you've got this lifeline if you like, it is a lifeline that you can take advantage of and improve your retirement' (Mrs H).

'Well I think they're [housing assets] probably safer even with the way things have gone providing you haven't got a massive mortgage' (Ms S).

Figure 7.5 Investing in property is a better way to make financial provision for retirement than paying into a pension (%)



N=491

7.7 Equity release and the role of government

Given that participants were generally very satisfied with their equity release plans it is perhaps not surprising that, on the whole, interviewees did not express a strong desire for government involvement in equity release. This is in contrast to other research which has

found that people would feel happier about using equity release plans if they were provided by not-for-profit organisations (Rowlingson, 2006).

A number of interviewees also struggled with the concept of government involvement and seemed to be unsure about the feasibility of this. It was not always obvious, for example, how government involvement might reduce the costs of equity release. But when prompted, the following interviewees in Cluster 3 did tend to agree that it would be beneficial in a number of ways.

'If they ran a government scheme you probably wouldn't have something like the interest. I'm sure they could do a better scheme that could help people as opposed to the private sector' (Mr H).

'Perhaps if you took some money on your house and they gave you some help as well because instead of asking social security for help you've got it on your own house. But I don't know really what to think' (Mrs O).

'It seems to me that this market is well regulated. It wasn't, and there were some appalling scandals but I now think it's a well regulated market and I think it's important that the government continue to monitor that and make sure that people are given the best possible advice through organisations like Age Concern. Other than that I don't see a role for the government particularly' (Mr T).

In contrast, interviewees in Clusters 1 and 2 were more likely to view government involvement as interference, reflecting their more general feelings of negativity towards a government they considered to be controlling and incompetent.

'I would like the government to stay well away from it'. Quite honestly the government had no idea at all about the type of finance that's required for funding pensions. What did Gordon Brown do the first minute he was chancellor, he ruined the tax situation which has penalised every pension fund from 1997 onwards and that's not just a Labour government that's all governments' (Mr G).

When the following interviewee was asked about whether she saw a role for government in the direct provision of equity release schemes she said:

'No absolutely not, I think it should be totally private sector, no way because they're just not very good at handling these things are they, particularly a Labour government 'cause they've left the country close to bankruptcy three times in my life' (Mrs H).

However she felt that government regulation was of utmost importance:

'The government should make sure that safeguards are in place because at the end of the day a roof over your head is the only thing the man in the street has got. There's no use telling us to try and look after ourselves if they're not going to put in the safeguards to make sure what we're fighting for comes to fruition' (Mrs H).

This was also the view that Mr W took:

'I don't see them in direct provision but certainly to ensure there are proper guidelines so that people can't be taken advantage of because in equity release when it first started there were a few unscrupulous operators but I hope that's been eradicated' (Mr W).

These interviewees were in a better position financially than those in Cluster 3 and they also tended to have been able to get good quality advice on equity release so it is not surprising that this was the general consensus. There were two interviewees, however, who did not simply reflect on their own situation but could see the benefit of government involvement for those who were more vulnerable and in a less fortunate position than they were.

'I was fortunate in that I've got a guy who I know very well who works in the financial business and I know that he would only give me sensible info but I think it would be a lot safer for a lot of people if there was some central information coming out that was impartial and genuine because you can get led astray by unscrupulous people if you are elderly and not so with it as you were in the past.

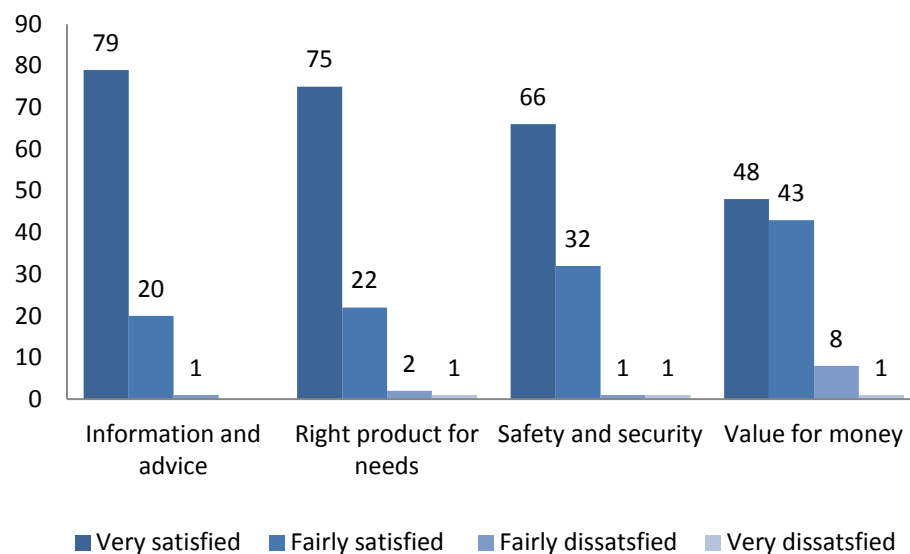
So I think it would be useful if there was information that you can call upon that wasn't being sent out from a company that's making money out of it' (Mr B).

'I think there should be government involvement if people are drawing on equity release so that they can live which is what other people have done and I think if that's the reason then there should be government involvement' (Ms W).

7.8 Satisfaction and dissatisfaction with equity release plans

Figure 7.6 shows that participants were generally very satisfied with most aspects of their equity release plans. The majority (79 per cent) were very satisfied that they had received all the information and advice they needed while 20 per cent said that they were fairly satisfied. Similar proportions were satisfied that the plan they had purchased was the right one for their needs (75 per cent very satisfied and 22 per cent fairly satisfied) and that it was safe and secure (66 per cent very satisfied and 32 per cent fairly satisfied). Fewer participants were satisfied that the plan offered value for money with just under half of them (48 per cent) reporting that they were very satisfied and 43 per cent saying they were fairly satisfied. However at 91 per cent this is still a clear majority.

Figure 7.6 Participant's reports on how satisfied or dissatisfied they were with different aspects of their equity release plans (%)



People were keen to talk about this aspect of their plan during the interviews which revealed that although they were not always fully satisfied with the amount of money they received, they felt there were good reasons for what can often be perceived as poor value for money:

'My husband's still convinced that you don't get enough money from them but I can see that we don't have to pay any of it until we die so to me it's, in one respect it's a good thing. Ok so you don't look like you're getting a lot but they're waiting a hell of a long time for theirs to come back' (Mrs O).

'It looks dreadful on paper what you get but if you do live long enough or the market rises again the percentage is reasonably good... it's not like borrowing money and paying enormous interest that you've got to find' (Ms S).

'The only thing I would say is that you do lose quite a bit of money because the differential between what they take and what you get. My son... looked over it and he said mum do you realise that although you've sold 25 per cent you only get 16 per cent back and that's quite a big amount. But when you put it in perspective they are giving you money and they have to make something at the

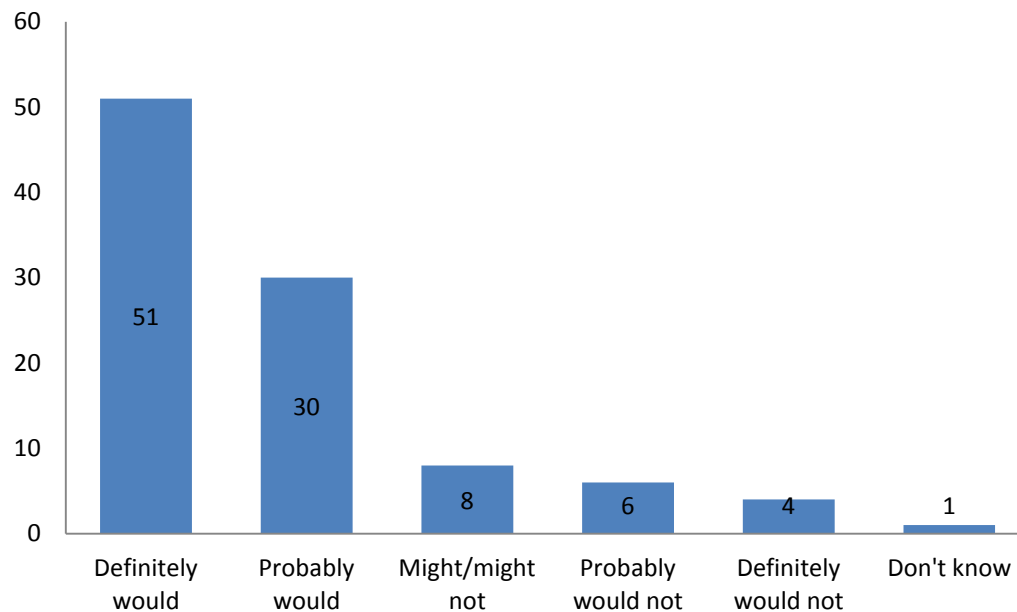
end of the day, plus the fact that they don't know that there's going to be a terrific slump in the market' (Mrs C).

Ms S and Mrs C had taken out home reversions which often provide customers with bigger lump sums than lifetime mortgages. This may be why they thought that their plans offered reasonable value for money. Furthermore, unlike lifetime mortgages, home reversions do not accrue interest and so customers are not being constantly reminded of the extent to which the plans are eroding the value of their homes. Home reversions also operate in such a way that if customers live long enough then the benefits lie with the customer rather than the providers while the opposite is true when it comes to lifetime mortgages. The longer you live the more it costs and the more profit the provider makes.

Although none of the interviewees expressed great concern over the interest that was building up on their lifetime mortgages, open survey responses suggested that this was often one of the reasons why participants were dissatisfied with their plans.

Figure 7.7 also indicates a high level of customer satisfaction among participants. Just over half of them (51 per cent) said that they would *definitely* make the same decision about entering into a plan today. Thirty per cent of the sample said that they *probably* would while only ten per cent said that they would not. Nine per cent of respondents were undecided.

Figure 7.7 Whether participants would or would not make the same decision about entering into an equity release plan today (%)



N=540

Open survey responses suggested that there were various reasons for deciding not to make the same decision again which were sometimes related to people's personal and financial circumstances rather than the product itself. One participant explained how his financial circumstances unexpectedly changed for the better only a couple of weeks after taking out his equity release plan. Another said that he had taken out a plan in order to help his daughter buy a house which she did not do. And another participant explained how he had taken out the plan to pay for adaptations to the home to make things easier for his wife but she died shortly afterwards.

More often than not, however, poor value for money and/or the amount of interest that had accrued on lifetime mortgages is what caused the majority of these participants to say that they would not make the same decision again. Interestingly though, they did not tend to

blame their advisers for failing to inform them but were more likely to point out that the reality of compound interest is very different from the idea of it. This raises some important questions about how information like this is presented to consumers.

‘Although I knew the interest rate and what the final cost could be I was still shocked when the amount reached £11,000. It’s very different when you see it in black and white’ (Female Survey Participant who had taken out a Lifetime Mortgage 6-10 years ago).

‘We were naïve by not realising how much the interest would grow. It really is frightening and we are thinking of selling our house to pay the company off’ (Male Survey Participant).

The effects of compound interest also become more visible over time and this may be why satisfaction and dissatisfaction also seemed to be linked to when customers had taken out their equity release plans. As Table 7.5 indicates, those who entered into a plan 6 or more years ago were most likely to say that they would not make the same decision about entering into a plan today.

Table 7.5 Whether participants would or would not make the same decision about entering into a plan today by when plan was taken out (column percentages)

Whether respondents would make same decision about entering into plan	Within last twelve months	1-5 years ago	6 or more years ago	Total
Would	80	83	64	81
Might/might not	14	7	11	8
Would not	5	9	25	10
Don’t know	1	1	0	1
Base	74	408	57	539

Chi square = 20.442, df=6, p <0.01. However 4 cells (33.3%) have an expected count of less than 5. Cramer’s V=0.056.

However analysis of open survey responses also indicated that this dissatisfaction was linked to the kinds of plans that used to be available such as Shared Appreciation Mortgages (SAMS), and the lack of regulation and safeguards that exposed customers to investment risks. The following quotations give some idea of the problems faced by people who took out these kinds of equity release plans.

'When I took out my plan I was not correctly informed of what would happen when I borrowed £16,250. The result of this is I could not purchase another property due to the lack of funds and had to go into local authority property. I am sure all this stress has helped contribute to the Leukaemia that I now have. What they claimed back was an obscene amount from my property price' (Female Survey Participant).

The experience of this participant is likely to reflect that of many Shared Appreciation Mortgage borrowers where customers have often had to pay up to 75 per cent of any increase in the property's value over the life of the loan on top of the original loan amount. With house prices rising substantially since 1997 and 1998 when these loans were sold, 75 per cent amounts to a considerable sum. As a result, people have been left with inadequate funds to enable them to move house, like the participant above.

The following participant had taken out a roll-up lifetime mortgage more than fifteen years ago when interest rates were not fixed and no negative equity guarantees were uncommon.

'Our type of home income plan, which was heavily criticised and later, banned, preceded the current equity release schemes but was in essence similar. I think we were rather gullible and the plan was attractively presented by a personable rep of the financial adviser who turned out to be a con man. We were not fully conversant of the long term consequences of committing ourselves to a roll-up mortgage and we were strongly advised to invest a proportion of the lump sum advanced in such a way that monies owing to the building society could be repaid. We found, in fact, that our so-called investment returns were actually being taken out of our own capital. The whole plan had no hope of succeeding.'

Accordingly, the debt has rolled up and increased year after year. Our experience has been unsatisfactory and stressful’ (Male Survey Participant).

The experiences of these customers highlight the potentially serious risks of using equity release to meet income needs but comparing them with the experiences of more recent customers it seems that regulated SHIP-compliant plans now provide a fairly safe way of raising income or capital from the home. Unlike the participants above, the majority now seem satisfied with the information and advice that they received.

The large majority of those that were interviewed also said that they were very happy with the information and advice that they were given and commonly referred to how helpful and thorough their advisers were. However the interviews also revealed that there was a significant difference between Cluster participants in terms of their knowledge and understanding of their equity release plans. Those in Cluster 1, for example, tended to have used the expertise of their own independent financial advisers (as well as equity release specialist advisers) and of friends and family who were solicitors or who worked in the financial services industry. Some of the interviewees themselves had also worked in the financial services industry and had prior knowledge and understanding of the products. In essence they tended to have done a lot of research on equity release and shopped around before taking out their plans. This probably contributed to their satisfaction with the products.

The Interviewees in Cluster 2 also tended to have shopped around and carried out their own research before taking out their plans. Some of them also had friends or family working in law or the financial services industry that they could take advice from. In contrast, none of

the interviewees in Cluster 3 had their own financial advisers nor did they mention expert family or friends who had been able to advise them. They were also much less likely to have shopped around for their equity release plans often going straight to one of the companies that they had seen advertised on the television or in newspapers. However as they had taken out their plans from SHIP members this at least meant that they were required to obtain advice from an equity release specialist.

'We got all the bumph from company x and we thought we won't go into it any more now we'll get confused with all the different companies, you know' (Mrs W).

Worryingly, one interviewee said that he was approached over the phone five years ago by one of the leading equity release companies which have a direct sales force (and who are also a member of SHIP). He was in a lot of debt and used equity release to help clear some of this.

Although all of the interviewees in Cluster 3 reported that they were very or fairly satisfied with the information and advice that they received, they seemed to have lower levels of knowledge and understanding about equity release compared with participants in Clusters 1 and 2. They demonstrated much more uncertainty about equity release in general and certain aspects of their plans in particular. For example, few were certain of the interest rate, whether they could move house and transfer the plan or whether they could switch companies. Very few seemed to understand exactly how their plans worked and were unsure about why they had taken out that plan in particular as opposed to another type.

'I can't remember whether we did a home reversion or not, I'd have to look it up' (Mr R).

'I've been quite satisfied with mine, so really I don't interest myself in it. It happened in the background some while ago and what's done is done, sometimes I look at it and think my goodness that's a high rate of interest isn't it in today's market but there's not much I can do although I did hear somewhere that you can renegotiate or close one and start another or something' (Ms B).

Having originally taken out a home reversion to provide an income, Ms C later took out a lump sum with a different company via a lifetime mortgage but was unaware that this had been the mechanism used:

'I don't understand a lot of it and I'm not a fool. I'm supposed to be an intelligent women but I really don't understand a lot of this, what do you call it insurance speak. I don't understand why I'm paying, what is it, 8 point something per cent on a loan when you can get loans cheaper but I didn't even realise for a few years that I'd got a loan but I have...The last time I wanted to do something the company did it all for me and I didn't have to think, they worked it all out and gave me various options and advice and I just let them get on with it. All I wanted was the £2,000; I wasn't really bothered about how I got it' (Ms C).

It seems that the poorer, more vulnerable customers who very much needed the money and quite urgently in some cases were less likely to have shopped around and to have considered all the options. They were not able to afford to do this and did not have the benefit of friends and family with financial or legal expertise. Perhaps they were also put off from considering all the options in order to avoid confusion as the interviewee above explained. Although better regulation and safeguards mean that some of the more serious risks involved in taking out equity release have been reduced, this lower level of knowledge and understanding does seem to reduce the chances of getting the best deal. The better off customers, by contrast, such as those in Clusters 1 and 2 seem more likely to get the most out of equity release. Therefore the kinds of plans that people have and the interest rates on them appear to reflect a number of factors but not necessarily need.

7.9 Summary

This chapter has focused on participants' attitudes to equity release products which involved exploring their feelings towards using the value of the home and the associated topics of inheritance, responsibility for financial security and different ways of making provision for retirement. It has also explored how satisfied or dissatisfied they were with the products. The findings suggest that the way people feel about using equity release is strongly influenced by their reasons for using the products. Those who had indicated a level of choice in using equity release were far more supportive of the concept than those who felt they had no option. There was a general feeling that people should not be forced to use the value of their homes to supplement retirement income yet people feel they can reasonably be expected to use their own resources, including housing, to have a more comfortable and enjoyable retirement.

Other factors that influenced the way people felt about using equity release were the extent to which this compromised their identity as home owners. People do not appear to want to use up all of the value of their homes because of this but also because many want to be able to leave some of the value of their homes as a bequest. However the majority of participants did not regard inheritance as particularly important and the interviewees agreed that it was not more important than their own financial security.

This chapter has also shown that the large majority of participants were satisfied with their equity release plans and the information and advice that they had been given. However there are indications that satisfaction decreases over time and this may be because the effects of compound interest on lifetime mortgages become more visible over time.

As mentioned at the beginning of this chapter, an exploration of how people feel about using equity release products can provide an important contribution to debates about the role of equity release products in relation to welfare and to the possibilities and limitations of policy in this area. The following chapter therefore brings together these findings with those on participants' use of equity release products and the product and market information presented in chapter 5. It discusses them in relation to this broader context and draws on the issues and debates presented earlier in the thesis (Chapters 2 and 3).

8 EQUITY RELEASE: WHAT ROLE DOES IT PLAY? WHAT ROLE COULD IT PLAY?

8.1 Introduction

At the beginning of this thesis we saw that a number of factors have led to the restructuring of welfare states. Globalisation, demographic changes and shifts in ideas about the role of the state have encouraged governments to favour individual responsibility and market provision. Today, governments increasingly seek to 'enable' individuals to promote their own welfare rather than providing direct state provision and the transition from collective to individual asset-holding has been central to this shift.

These broader welfare state changes have altered the role and relevance of personal assets making them increasingly necessary for financial security, particularly in later life. Indeed, it is becoming increasingly difficult for pensioners to secure a decent standard of living using pension income alone (Pensions Policy Institute, 2010). However, housing represents a substantial financial resource for large numbers of older people. In 2009 it was estimated that British owner-occupiers aged 55-64 owned £560 billion worth of net housing wealth while those aged 65 and over held £800 billion worth of equity (Willetts, 2010).

The combination of these trends has contributed to discussion about the role of housing assets in later life. While housing was once aimed at eliminating 'squalor' (Beveridge, 1943), it now plays a more complex role with the potential to provide financial security and independence (Doling and Ronald, 2010; Groves et al, 2007; Jarvis, 2008; Malpass, 2008). This is not only relevant to governments seeking to relieve pressures on pension and care systems but also individuals needing additional resources to secure a decent standard of

living. Surprisingly, then, relatively few studies have examined the role of housing wealth in later life and how it is being used in practice.

This thesis adds to and updates the limited amount of existing research on the experiences of equity release customers (Davey, 1996; Fleiss, 1985; Leather and Wheeler, 1988;) and complements research which focuses on housing as source of retirement funding from more of a theoretical perspective. This includes economic analyses of the level and distribution of older people's housing wealth and its potential for increasing income, (Doling, 2009; Hancock 1998; 2000; Pensions Policy Institute, 2004; 2009b; Sodha, 2005) and research on people's attitudes to housing assets (Jones et al, 2010; Quilgars and Jones, 2007; Rowlingson and McKay, 2005; Rowlingson, 2006; Smith 2004; Smith and Searle, 2007).

The first section in this chapter provides a summary of the findings that relate to the main research question: What role do equity release products play? and sub-questions a, b and c (See Appendix 4.1 for an overview of the research questions). The second section discusses the implications of these findings for the role of equity release products in relation to welfare (sub-question d) and also considers a number of policy implications. The research is reflected upon as a whole and suggestions are made for future research in the final part of the chapter.

8.2 Summary of the findings

8.2.1 What is equity release and how widespread is its use?

Equity release, defined here as the use of products which allow older people to access the value of their homes without having to move, is used by only a small proportion of homeowners. Exact figures on the total number of people who have equity release plans in

the UK are unavailable but estimates suggest that only 1 per cent of owner occupiers of the total UK mortgage market had an equity release plan in 2006/08, and 2 per cent in the over 65 age bracket (Office for National Statistics, 2009, p. 20).

In part, this is probably because the image of equity release is still affected by the historical problems associated with some of the products that were sold during the 1980s and 90s and because people have a number of misperceptions about the products that are available today (Jones et al, 2010; Key Retirement Solutions, 2005). While people increasingly seem to recognise that their homes are financial assets and even like the idea of equity release in theory (Croucher, 2008; Rowlingson, 2006), many remain suspicious of equity release and perceive such products to be risky and sold by untrustworthy providers (Jones et al, 2010; Key Retirement Solutions 2005; 2008; Rowlingson, 2006).

This research has explored the actual experiences of customers who have used equity release plans and found that the use of regulated products provides a safe way of raising income or capital from the home. Overall, customers seem to be either very satisfied or fairly satisfied with their equity release plans and the companies that provide them. Greater awareness of these experiences could help to build confidence in the market and encourage more people to take advantage of equity release, should they wish to.

We have also seen that a number of other factors limit the use of equity release products. These include high-cost products that are perceived to be poor value for money, bequest motives (which are arguably linked to the cost of the products) low income, limited housing assets and provider risks. Lessons from abroad suggest that changes could be made to

increase the affordability of equity release products and perhaps, therefore, their wider use. These issues will be discussed later on in the chapter.

The recent financial and economic crisis has also brought challenges to the UK market and those elsewhere. Providers are facing funding constraints forcing some of them to withdraw from the market and increasing the cost of equity release products for consumers.

8.2.2 What kinds of older people use equity release plans, why do they do so and how do they feel about them?

According to this research, equity release customers are, on average, in their early 70s and they are more likely to be in couples rather than men and women living alone. The majority of customers also have children. They are neither the richest nor poorest pensioners, and most of them have income from a private pension.

Those with only state pension income may be considered most in need of additional resources but these findings suggest that at present, equity release products play little role in providing this; no doubt because the poorest older people are least likely to own a home and so have no housing assets to draw on. There were, however, a small, though not insignificant, number of participants who could be classed as house-rich, income-poor (21 per cent) and some (14 per cent) who were in receipt of Pension Credit. So the equity release market seems to be reaching some of those who are most in need but overall, the majority of participants were spread across income and wealth classes with more than a quarter (26 per cent) being both income and asset-rich.

Only 35 per cent of the sample said that they received income from savings and investments, compared with 68 per cent of pensioners overall (Department for Work and Pensions, 2010).

This seems to support the view that people prefer to rely on financial savings and assets to meet their needs in older age and will only consume housing assets if necessary (Jones et al, 2010; Levin, 1998; Quilgars and Jones, 2010). The follow-up interviews indicated that a lack of or, low levels of, financial savings were often part of the reason why participants had used equity release.

8.2.2.1 Using the money

The money from equity release products is used in a variety of ways but the top three uses are house maintenance and improvements, debt clearance and holidays. Cluster analysis revealed that customers divide into one of three groups in terms of how and why the products are used. Therefore equity release is not playing 'a role' here but rather a number of roles. The analysis also showed that customers' financial circumstances are related to these different roles.

Cluster 1 – Passing it on

For the participants in this Cluster, equity release was used to enable the transfer of housing wealth to children and grandchildren and/or large, one-off expenditures such as new homes, holiday homes, home improvements and divorce settlements. It was not used to provide an overall boost to income or capital because these participants were relatively well-off with higher levels of income and assets than those in Clusters 2 and 3.

Cluster 2 – Enhancing later life

Equity release was used by this group to increase financial security and enable a more comfortable and enjoyable retirement. The money made up for relatively low levels of financial savings and was spent on a wide range of things including maintaining or improving

the home, replacing household appliances, going on holiday and enjoying other leisure activities. Many of the interviewees from this Cluster suggested that their pension income was adequate for day-to-day living but it did not enable them to meet these additional income needs and preferences.

Cluster 3 – Getting by

The majority of participants in this Cluster had used equity release as a last resort. They had very low levels of savings and were often in debt. They were also finding housing and living costs difficult to meet. Interviews and survey responses suggested that while some participants had seen an improvement in their living standards, others did not feel much better off as they had only managed to clear or reduce their debts. With little opportunity for releasing further equity, they were managing to get by but still had concerns about how they might manage in the future.

8.2.2.2 Why an equity release plan?

In addition to exploring participants' financial circumstances and what they did with the money, finding out why they had used equity release also involved exploring their reasons for using financial products rather than trading down. Participants provided a combination of reasons but more than half of the sample (59 per cent) reported that using an equity release plan enabled them to get access to some of the equity in their homes whilst avoiding the social and psychological costs of moving away from friends, family and the family home. It also meant that they were able to maintain access to local amenities and transport links which was considered important for maintaining a good quality of life.

For those with lower incomes and more limited housing assets, trading down tended not to be an option given the size and/or value of their current home meaning they had little opportunity to release sufficient funds. Where participants had provided 'other' reasons for using an equity release plan some had said that they had tried to sell their houses but were unable to do so in the current climate. These findings highlight the fact that an increase in house prices does not necessarily make people better off and that home owners' ability to gain access to the 'wealth' that has accumulated in their homes is often determined by the liquidity of housing markets at any given time.

8.2.2.3 Attitudes

The way in which participants felt about drawing on the value of their homes varied according to their reasons for using equity release products. Those who had chosen to use them to improve their living standards or to help out others saw it as a very good idea and, unlike other research, (e.g. Jones et al, 2010; Quilgars and Jones, 2010) shows that housing asset use, in practice, is not always seen as a safety net of last resort. However, for some of the participants in this study equity release products were viewed in this way. These participants often resented having to use their housing assets as a result of financial difficulty and inadequate state provision. The majority of the sample (78 per cent) also agreed that home owners should not have to use the value of their homes to supplement retirement income.

However, close to half of the sample reported that individuals should be mainly responsible for financial security in retirement. This suggests that people are willing to use their own resources but are not necessarily keen on using their housing assets and do not want to be forced to use them. These findings therefore support other research which suggests that

attitudes to housing assets are changing (Rowlingson and McKay, 2005; Smith, 2004) but people still tend to see them differently from financial assets (Rowlingson and McKay, 2005). Some of the interviewees from Clusters 1 and 2 suggested that housing assets shouldn't necessarily be treated any differently from other assets but those from Cluster 3 were less likely to feel this way.

Inheritance seems to be less important to equity release customers than the population overall (Rowlingson and McKay, 2005). However, participants' attitudes to inheritance tended to be pragmatic. Many of the interviewees suggested that they wanted to leave some of their housing wealth to their children and grandchildren but were generally not concerned about leaving all of it. Attitudes to inheritance played some part in how participants felt about using equity release products but the interviews suggested that the effect of equity release on home owner identity was equally, if not more, important. The interviewees were not keen on the idea of no longer owning their own homes and so did not want to use up all of their housing equity. This sentiment might also help to explain why home reversions are less popular than lifetime mortgages as they involve transferring legal ownership of one's property to a private company.

8.2.3 Changes over time

The kinds of people who use equity release plans and the reasons why they do so have changed, or at least diversified, since 1995. As in 2009, the majority of customers in 1995 were neither the poorest nor richest pensioners but historically equity release was more commonly used by older, widowed, pensioners and fewer customers had children (Davey, 1996; SHIP, 2009a). The money was also commonly used to meet everyday living expenses. Today, however, the market is more segmented with different groups using equity release in

different ways. The most significant changes are in the increased use of equity release for lifestyle purposes and an altogether new trend of using it to clear debts and to pass on housing wealth to younger generations.

This segmentation is likely to be indicative of increased inequality among the pensioner population. Although today's pensioners are better off than their predecessors, it is mainly as a result of increased income from private pensions and investment income which has not been equally shared. Instead, the increases have been concentrated in the upper income bands (Institute for Fiscal Studies, 2004; Office for National Statistics, 2010c).

While better-off pensioners have benefitted from the shift from collective responsibility for financial security to more individual responsibility, others have been left further behind. As this research has shown, those most in need of additional resources had the lowest levels of income and wealth (in the form of housing assets, pension assets and financial savings) while those with much less need for equity release had the highest levels of income and wealth. They were therefore able to make choices about what they did with their housing wealth while others were forced to rely on it.

8.3 The implications of the findings for the role of equity release products in relation to welfare

This section discusses the broader implications of these findings for the role of equity release products in relation to the welfare. It considers the opportunities and limitations of using these products to improve living standards and how they might be reformed so that they are more accessible and affordable to home owners with low incomes and limited housing

assets. It then discusses why these reforms are important and in so doing refers back to the issues presented in chapters 2 and 3.

As we have already seen, equity release plans are currently used by very few people and so they only play a small role in supplementing retirement incomes. However, when equity release plans are used, this research has shown that for those with middle incomes and medium to high levels of housing wealth, (like those in Clusters 1 and 2) they can make an important difference to people's living standards and their sense of financial security.

For participants in Cluster 2, in particular, the money was used to meet immediate income needs and preferences but also as a buffer to meet future income needs such as major house repairs, the cost of new household appliances and large bills. In turn, this security provided benefits beyond consumption. It reduced the level of stress and anxiety that some had previously experienced not knowing what costs they might face in the future and whether or not they could afford them. Many of the participants in these circumstances described how this had improved their quality of life. Assets not only have a positive effect on people's financial wellbeing, then, but they can also affect their more general wellbeing (Rowlingson and McKay, 2011 forthcoming).

These participants were also generally quite happy about using their housing assets to improve their living standards; perhaps because they did not feel that they had been forced into the decision through very low income. They wanted to leave some of the value of their homes to their children as well as spend some and equity release was not inconsistent with these bequest motives.

The research has also shown that equity release products make less of a difference to the living standards of those with more limited housing and other types of wealth (Cluster 3 participants). Using equity release to help clear debts can be useful for reducing financial difficulty but it does not have the effect of (directly) increasing income and thereby consumption. This may be why the participants in Cluster 3 did not tend to feel much better off. However, they did not feel very financially secure either. Even though they tended to have housing assets worth £150,000, equity release did not always clear their debts and some were still struggling and concerned about how they might manage in the future.

These findings suggest that the limitations of housing wealth for welfare lie not just in the level of housing wealth that an individual owns but also in the mechanisms that are available (or rather unavailable) for decumulating that wealth. As we saw in chapter 5, the amount of equity available for release with UK products is fairly limited starting at around 18 per cent at the age of 55. This increases by approximately 1 percentage point for each year above the minimum age with an upper limit of 45-50 per cent at age 85 and over. At age 71, therefore, (the median customer age) around £45,000-£50,000 would be the maximum sum available on a property worth £150,000 using a lifetime mortgage. This also comes at a considerable long-term cost leaving very little equity, if any, at the end of the loan period. However as we have seen, most people want to be able to leave at least some of the value of their homes to their children.

Other equity release mechanisms such as trading down can also be difficult for those with average or below average levels of housing wealth. Some of the participants in this study wanted to sell their homes rather than using equity release products but were unable to do

so. Therefore, while older people appear to have accumulated a significant amount of wealth in their homes, there is relatively limited scope for making the most of it and fairly high levels of housing wealth are needed to make a significant difference to living standards. These findings are consistent with other research which has looked at the potential of equity release as a source of retirement funding (Pensions Commission, 2004, Pensions Policy Institute, 2004; 2009a; 2010).

Problems with accessing housing equity have been further exacerbated by the recent decline in the value of property and the broader financial and economic crisis. Indeed this has caused many lenders to withdraw from the equity release market in the last 2 years, particularly those that used to rely on wholesale funding, while those that are still active have increased their interest rates on lifetime mortgages and reduced their loan-to-value ratios (see Chapter 5).

All of these issues question whether housing wealth and equity release products in particular can really function as an adequate safety net for those in need (Toussaint and Elsinga, 2009) unless there are policy changes. The next section in this chapter therefore considers the ways in which equity release products might be made more affordable and accessible and the role that governments could play in relation to this.

8.3.1 Reforming equity release products

We saw in chapter 5 that there have already been some important developments involving third sector organisations and local authorities in partnership with the private sector aimed at overcoming some of the obstacles to equity release that poorer groups face.

The pilot equity release plan known as the Home Cash Plan, for example, which has been developed with the help of the Joseph Rowntree Foundation and Just Retirement, allows a wider range of properties to be offered as security for a loan; the minimum initial draw-down is sufficiently small that it will not increase the home-owners savings beyond the threshold for Pension Credit (£10,000); and the set-up fees are lower than most comparable alternatives (Terry and Gibson 2010, p.5). Age UK have also recently launched an advice service in partnership with Just Retirement which gives customers access to a plan more suited to those with limited resources and to the Home Cash Plan outlined above. The involvement of Age UK might also help to boost confidence in equity release products given their status as a well-known and trusted organisation.

The Regulatory Reform (Housing Assistance) Order 2002 also gives local authorities scope to assist older, lower income, home owners with home improvements, repairs and adaptations. The assistance can vary from one local authority to another and it can be provided in any form including loans, grants, labour, materials or advice (Age UK, 2011b). Some of the more common types of assistance include the means-tested Disabled Facilities Grant; social services assistance for minor adaptations; help with interest repayments on loans; and, equity release loans to help fund repairs, improvements and adaptations. One of the most well-known examples is the Home Improvement Trust's 'Houseproud' scheme. The Trust has links with a number of lenders that provide a range of loans including lifetime mortgages and interest only and repayment loans. They are all regulated by the FSA and provide a guarantee of no repossession while the borrower remains resident in the property (Age UK, 2011b).

All of these products and services are an important addition to the commercial products offered by the private sector because they reduce some of the costs associated with commercial products and they have the potential to reduce the negative impact that equity release can have on means-tested benefits. However this research has shown that one of the biggest problems for low income groups with limited housing assets is that commercial products do not make a significant difference to their living standards because they are unable to release sufficient amounts of housing equity. This next section therefore considers the role that central government could play in helping poorer home owners to benefit from equity release.

8.3.1.1 Encouraging the use of equity release products

Since 2007, companies advising on and selling lifetime mortgages and home reversions have been regulated by the Financial Services Authority (FSA). This is the first step that government has taken to encourage the use of these products, and recent developments might help to raise awareness of the regulations. The *Money Advice Service* website launched by the previous government to provide unbiased advice contains information on equity release and makes clear that the FSA now regulates the sales and advice process of lifetime mortgages and home reversions.

But while regulation is important, the treatment of equity release advice as high risk increases the costs of these products and as SHIP (2009a) has pointed out, *'the compliance costs are highest for those often taking out the smallest loans and who can least afford the product overheads'* (p.65). This does not mean that the advice and sales process should not be regulated but that there could be a role for government in subsidising some of these regulatory costs. This will be discussed later on in the chapter.

In addition to government regulation, the majority of lifetime mortgages and home reversions sold today are provided by members of SHIP, the UK trade body for equity release. As we saw in chapter 5, SHIP-compliant products have a number of important safeguards including a No Negative Equity Guarantee (NNEG) on lifetime mortgages. But with research showing that people often still fear losing their homes and leaving debts to family members (Croucher, 2008; Jones et al, 2010; Key Retirement Solutions, 2005), there seems to be very little awareness of these.

The Money Advice Service website states that the majority of lifetime mortgages now offer a No Negative Equity Guarantee but does not make direct reference to SHIP in relation to this or any of the other important safeguards that are offered by its members. Raising awareness of these safeguards and sending a clear message that the regulated, SHIP-compliant products offered today are very different from the ones sold in the 1980s and 90s (SHIP, 2009a) could help to encourage the wider use of equity release products. Indeed there could be many people who are in need of equity release or would like to make use of their housing wealth but are deterred from doing so due to misperceptions. Although a regulator like the Financial Services Authority cannot favour a particular product or sector of the market (SHIP, 2009a) government could arguably play a more central role in this not least by widening access to the information that is currently available on the Money Advice Service website.

While raising awareness and understanding might help to change public perceptions of equity release products, we have seen from this thesis and other research (for example Pensions Policy Institute, 2004; 2009a; 2010; Hamnett, 2010) that this is not the only barrier. Taking a more active approach to dispelling the myths associated with the products is an

important first step but if poorer groups are to benefit from equity release then some of the structural barriers that currently exist also need to be addressed. This next section examines the ways in which government could do more to *enable* the use of equity release products.

8.3.1.2 Enabling the use of equity release products

We saw in Chapter 2 that a variety of factors have led to the restructuring of welfare states across Europe. In the UK, in particular, the more traditional model based on expanding state provision of social security has been replaced with an approach designed to enable individuals to take greater responsibility for their welfare. Public support for private responsibility can be seen as the governing principle of this approach (Gilbert, 2002) and the encouragement of asset accumulation, including home ownership, has been central to this.

But while governments have, and continue, to enable people to accumulate housing assets they have not played much of a role in enabling home owners to decumulate their assets. This has largely been left to the private sector although the third sector has also started to play a more active role in this arena by working with private companies to offer products that are more suited to the needs of poorer groups. As we have already seen, these products have been designed to reduce the costs of taking out equity release plans and the effect that this can have on means tested benefits. However, they do not reduce the overall cost of equity release nor do they offer higher loan-to-value ratios. In short, they do not increase the amount of money available to borrowers yet such changes could make a significant difference to the living standards of those with lower incomes and more limited housing assets.

The participants in Cluster 3, for example, typically owned homes worth between £150,000 and £199,999 or less (see Table 6.9) and needed the money to clear debts and meet living and housing related costs. But they were particularly disadvantaged by the interest rates charged on commercial products and the restrictions on the amount of equity that is available for release. They could not always release sufficient funds to clear their debts and there was rarely any money left over to provide financial security in the long term once their immediate needs had been (partially) met. Furthermore, they would end up owning very little equity or even none at all once the plans came to an end particularly if house prices decreased or remained stable. For home owners like these, the commercial products that are currently available do not offer good value for money and do not allow them to combine bequest motives with meeting their own needs.

However, there will always be constraints on what is commercially viable given the risks that equity release providers face, particularly in terms of guarantees against negative equity.

Indeed as SHIP (2009a) points out:

‘The cost structure of equity release products is inverted, relative to the customer’s needs and ability to pay – with compliance, guarantee and advice costs all highest in products where the smallest loans are being taken. Products where loans are high and compliance costs should be low simply cannot be provided in the current market, meaning providers cannot average costs across a portfolio, as is done in many other areas of financial services to the benefit of the lower income customer’ (p.12).

Government could therefore play an important role in sharing some of the risks that providers and funders face which would in turn reduce the costs to consumers and increase the amount that they can borrow.

8.3.1.2.1 *Subsidising equity release products*

As we saw in Chapter 5, government support for equity release has been adopted in other countries and has made the products better value for money. In the US, for example, lifetime or reverse mortgages sold under the Home Equity Conversion Mortgage (HECM) programme are insured by the Federal Housing Administration (FHA) which protects lenders against the risk that the loan balance may eventually exceed the value of the property. The government also guarantees that the borrower will continue to receive loan payments in case of lender default (Huan and Mahoney, 2002).

These guarantees mean that lenders are prepared to offer lower interest rates and relatively large payments. A 65 year old, for example, who owns a home worth £150,000 would currently receive around £96,000 from a lifetime mortgage under the US HECM programme but only £43,500 from a UK lifetime mortgage. Furthermore, HECM loans cost less over time and allow customers to preserve more of the equity in their homes because interest rates are lower than they are on UK lifetime mortgages.

We also saw in Chapter 5 that HomeEquity Bank in Canada offers lower and more flexible interest rates than UK lenders largely because it has been able to access a wider range of cost-effective and reliable funding since it obtained its chartered bank status. There are currently no UK banks providing equity release products. Government insurance against longevity and house price risk might encourage more mainstream, well-known, financial institutions to enter the market. With their greater access to funding, the arrival of these bigger players could have positive knock-on effects for consumers.

As well as risk sharing, governments could enable the use of equity release products in other ways. Specialist equity release advice could be subsidised, for example, given that the current costs are high and least affordable to those who need it most. The relationship between equity release and means-tested benefits is also potentially very complicated and could act as a significant disincentive for low income home owners. The value of an individual's home is not taken into account when determining their eligibility for Pension Credit. However, if they *draw* on the value of their homes then they could lose either some or all of this money. It is possible to retain entitlement during an Assessed Income Period (AIP) and this may be why 14 per cent of the equity release customers in this study reported that they were in receipt of Pension Credit. However if and when the AIP comes to an end, an individual's entitlement will be reassessed and the income or capital from the equity release plan will be taken into account.

In the 2009 Budget the government announced that the capital disregard in Pension Credit would be increased from £6,000 to £10,000. This means that equity release customers or potential customers can draw up to £10,000 worth of equity without any impact on their Pension Credit entitlement. While this is a welcome development, most commercial equity release products have a minimum initial advance greater than £10,000. This is partly why the Joseph Rowntree Foundation and Age UK have worked with the private sector to develop products that allow poorer pensioners to take advantage of equity release without losing their benefits. But if the disincentives are to be removed altogether then a higher disregard needs to be put in place. Indeed this thesis has shown that lower income older home owners often require a lump sum greater than £10,000 to pay for repairs or to clear debts. But by using equity release to provide this they would lose the majority if not all of

their Pension Credit; at least in the short term. The example below, in Box 8.1, illustrates this potentially significant disincentive for low income pensioners.

Box 8.1 Equity release and the loss of Pension Credit

Judy is 64 and is receiving Pension Credit of £30 a week. She does not have an Assessed Income Period. She takes out an equity release plan and receives a lump sum of £24,000. She has no other capital. She reports the change in circumstances to The Pension Service which reassesses her entitlement taking the capital into account. The first £10,000 of capital is disregarded and the remaining £14,000 produces an assumed income of £28 a week. Judy's Pension Credit is therefore reduced to £2 a week.

Source: Adapted from Age UK, 2011b.

8.3.1.2.2 Providing equity release products

Instead of simply supporting or subsidising commercial equity release products another option would be for central government to provide them. Research has shown that older home owners tend not to trust commercial providers but would be willing to consider equity release products offered by not-for-profit lenders (e.g. Croucher, 2008; Rowlingson, 2006). Third sector and local authority provision could help to overcome this trust barrier but the main limitation for the not-for-profit sector is obtaining the amount of funding required to provide equity release plans (Davey, 1996). Local authority partnership models such as the Home Improvement Trust are already set up to provide equity-based loans but any extension of these activities would tie up local authority funds. Given the recent imposition of local government-related spending cuts, opportunities for extending equity release provision seem unlikely.

These constraints arguably strengthen the case for central government provision. However a number of participants in this study were not keen on the idea of direct state provision and

even viewed it with suspicion. However, they were better positioned to make use of the private sector than those who were more in need of equity release (Cluster 3 participants). Furthermore, it is highly unlikely that the government would want to provide equity release plans for lifestyle or gifting purposes anyway.

Government products could therefore be targeted at the 'asset-rich', income-poor rather like the Pensions Loan Scheme offered by the Australian government. However we saw in Chapter 5 that compared to the products offered by commercial providers, the Pensions Loan Scheme is inflexible because it only allows borrowers to access an income stream as opposed to a lump sum (or both). This could prove unattractive to prospective borrowers since many are likely to require a lump sum to pay for housing repairs or to clear debts.

Although the private sector might not always be best placed to meet the needs of poorer groups, one of the benefits of private provision is the flexibility of the sector and its responsiveness to market forces (Davey, 1996). This has driven product development and innovation in the UK market and resulted in range of features such as draw down options, helping to increase the flexibility of equity release plans and meet changing consumer needs (SHIP, 2011a). In order to offset the relative weaknesses of equity release plans provided solely by the private, public or third sector, a joined-up response could be a more effective way of increasing confidence in equity release and enabling its wider use.

8.3.2 The importance of reforming equity release products

Government support for equity release is important for a number of reasons. At the beginning of this thesis we saw that there has been a move towards individual responsibility for welfare through savings and asset accumulation and less emphasis on a collective

approach to welfare provision. We also saw that there are equality issues associated with this shift because opportunities for asset accumulation are not equal. This research has shown that opportunities for asset decumulation are also unequal meaning that richer groups are better positioned to make use of their wealth given the criteria governing equity release mechanisms.

Home owners with lower levels of housing wealth, however, are particularly in need of additional resources compared with their more affluent counterparts partly because housing wealth and other types of wealth are positively correlated. Therefore, those with the highest levels of housing wealth tend to have the largest private pensions and so have less need for equity release. The opposite is true when it comes to those with more limited housing assets (Pensions Commission, 2004; Pensions Policy Institute, 2009a).

Of course the need for additional resources now and more so in the future is not confined to poorer groups. Indeed, state pension systems are under pressure and many private sector pensions are offering a lower level of income and security (Pensions Policy Institute, 2010). But these changes have particularly affected poorer groups who rely on the state pension for the majority of their income while those with access to good private pensions and other savings and investments can enjoy a higher standard of living. These trends are symptomatic of any asset-based welfare system where *'the people who start off with privileged access to wealth will be able to transpose those initial advantages into higher levels of savings, higher levels of investment and still further advantages of eventual accumulation of wealth'* (Watson, 2009b, p.2).

All of these factors arguably add weight to the idea that the government should do more to enable income-poor home owners to benefit from equity release if and when they need to. The reforms suggested above would go some way towards achieving this. However those with fewer resources might not be supportive of using equity release to meet essential housing and living costs.

Some of the participants in this study were resentful of the fact that they had been forced into the decision due to low income. However, this partly stemmed from feeling that the responsibility for meeting income needs was unequally shared. They had taken responsibility for their retirement income often by saving and paying into a private pension, yet they were unable to enjoy a good standard of living. If governments were to subsidise equity release, making it more affordable and better value for money, the use of housing wealth might be viewed more favourably. Indeed no amount of encouragement for personal responsibility will alter the structural inequalities that some groups face (Watson, 2009b).

Government support for equity release would not only benefit individuals and households but governments also. In an ageing society pensions must last longer and the costs of care are also likely to increase. As we saw in Chapter 2, the European commission (2004) estimates that demographic changes:

'Will result in an increase in pension and healthcare spending by 2050, varying between 4 and 8% of GDP. Already from 2020, projected spending on pensions and healthcare will increase by some 2% of GDP in many Member States and in 2030 the increase will amount to 4-5% of GDP' (p. 13).

Enabling wider access to equity release products could potentially reduce the 'burden' on state provision and provide a partial solution to some of the problems associated with an

ageing population. We might wonder, therefore, why governments have not made more claims on housing wealth. Indeed when it comes to paying for long-term care housing assets are included in the means-test. However this is a very unpopular policy (Ormston et al, 2007). Thus if governments were to force older people to use their housing wealth for additional purposes they are likely to face widespread opposition.

Such opposition was the reason why the 1984 Australian Labour Government chose not to implement the recommendations of a committee that it commissioned to explore ways of extending the targeting of benefits (Berry and Dalton, 2010). The review committee suggested that the government should include owner-occupied housing in the asset calculation for the Age Pension with the rationale that home owners are substantially advantaged over renters (Panel of Review of the Proposed Income and Assets Test (Australia) 1984). However significant opposition and controversy followed the recommendation and the government decided not to go ahead with it. The Australian Financial Review (1984) later commented on the government's decision suggesting that it would have been simply too unpopular to implement the recommendations given older people's attachment to the family home: *'It is doubtful whether much can be done about the various subsidies which are offered for home occupation and ownership. There is too deeply ingrained a social feeling that the family home is inviolable'* (Australian Financial Review, 1984).

This research has also shown that home owners are generally comfortable with using their housing wealth if they choose to but the majority of participants (78 per cent) agreed that they should not be forced to use the value of their homes to supplement retirement income. It is arguably understandable, then, that governments have not forced older home owners

to draw on their housing wealth but it is quite surprising that they have not done more to encourage or enable them to do so. Perhaps, as Terry and Dalton (2010) suggest, it is because government involvement in equity release carries a number of potential risks. Indeed despite regulation, there is still an element of consumer risk when equity release products are purchased, so if government were to align itself with the industry by subsidising it in some way; their reputation is likely to be compromised if and when things go wrong.

There is also the possibility of asset exhaustion which refers to a situation in which someone uses up all of their wealth. Equity release products contribute to this and if they are increasingly used by those in their 60s and early 70s, the risk for governments is that they would have to step in to provide additional income and services as people age (Terry and Dalton, 2010). Asset exhaustion would also lead to a situation in which there are fewer resources available for the next generation and this may also help to explain the lack of government encouragement for equity release. Indeed governments benefit from bequests because they can be used by inheritors to supplement their own pensions and this is likely to be more important in the future as people spend longer in retirement.

All of these reasons may be contributing to the relatively weak position on equity release that governments have adopted thus far. However, if poorer pensioners are to make more use of the wealth tied up in their homes then they may need to do more to support this. Without the kinds of changes outlined above equity release products will no doubt continue to reward better-off groups while making little or no difference to home owners who are most in need.

Implementing measures to assist less well-off home owners, however, would serve to subsidise those who are not necessarily the poorest pensioners. Therefore any policies that support those with housing wealth should not be at the expense of asset excluded groups.

8.3.3 The limitations of reform

Equity release products have the potential to improve living standards among poorer groups but much of their potential is unlikely to be reached without policy changes. However even if these were implemented, the role of equity release in welfare will always be limited since it can never meet the income needs of those who have no housing wealth. Curry (2010) estimates that around 20 per cent of older people do not own their own homes and so equity release can never be seen as a substitute for state provision. But with housing and other personal assets already being relied on to secure a decent standard of living, there are concerns for the welfare of asset excluded groups; even without further reliance on asset-based welfare.

Changes in the housing market have also set limits on the potential role of equity release. With younger generations finding it increasingly difficult to access homeownership, there could eventually be more older people without housing assets, as a recent NatCen report predicts, or with mortgages in retirement (Blackwell and Park, 2011). Equity release could be used to help clear these debts but this would reduce its potential for meeting other income and care costs.

Overall, it seems that government support for equity release could make an important difference to the living standards of income-poor home owners. However, if wider gaps in

income and wealth inequality are to be avoided, then attention also needs to be paid to the living standards of renters and the ways in which these can be improved.

8.4 Issues arising from the study and suggestions for future research

This thesis aimed to examine the existing and potential role of equity release products in relation to welfare by drawing on the direct experiences of equity release customers. Prior to this study these experiences had been missing from much of the research on housing and welfare in later life.

By using a mixed methods approach the study has produced extensive, original data, on customer characteristics, attitudes and experiences as well as an understanding of the factors that underpin people's use of equity release products. This provides an interesting and useful complement to existing research on the potential of housing asset use and more theoretical debates about the role of housing wealth in relation to welfare. It has also offered new insights into how older people are using the value of their homes as they age and uncovered some important policy implications.

However, gaps in our knowledge remain. One of the limitations of this research was that it did not fully capture the long-term experiences of equity release customers. While the majority of existing customers are likely to be relatively new given that the market peaked in 2007, further research with longer-term customers would be beneficial. Indeed, some of the potential problems with equity release are more likely to become visible over time and this could have an impact on levels of satisfaction and dissatisfaction with the products. Another way of capturing these long-term experiences would be to carry out panel research by going

back to some of the participants in this study in a few years time. Many of them indicated that they would be willing to participate in future research and doing so could prove to be a valuable and interesting exercise.

Having used a questionnaire comprising mainly closed questions for part of this research, it would be possible to seek reliable comparisons either at different times or in different places. The UK is not the only country with an ageing population and fiscal pressures on pension systems. The rest of Europe and elsewhere are in a similar, or worse, situation where governments and households are also looking at alternative mechanisms for funding retirement. As we saw in Chapter 3, the level of home ownership and housing wealth are also high across the EU 27 (With the exception of Germany). In countries where products are available, therefore, it would be interesting to carry out comparative research on older people's use of, and attitudes to, equity release. The questionnaire designed for this study could be used to do that.

While this research has produced interesting and valuable information on why people use equity release products, it would also be interesting to explore why so many older people do not. There is already a body of literature focusing on the reasons why people generally do not seem keen on equity release (as we saw in Chapters 3 and 5), but it would be useful to explore the views of older home owners who share the same characteristics and financial circumstances as those in this study. If time and budget had allowed, I would like to have had a comparative group of older people who were not using equity release products in order to do this.

As well as issues relating to equity release, this study uncovered a number of other areas that might be suggested for further research such as intergenerational wealth transfers and debt in retirement. There has been much discussion recently about the fortunate position of the baby boom generation who have benefited from high house prices and final salary pensions while younger generations are likely to lose out. Suggestions have been made that the boomers should be giving something back (Willetts, 2010) yet this research has shown that some of them already are. It would be interesting to find out more about who these people are, what influences their decisions, and the impact that their giving has on younger generations.

The research also suggested that debt in retirement is a problem among certain sections of the pensioner population. There has been quantitative research in this area focusing on the extent to which this is a problem and the attitudes of older people towards debt (McKay et al, 2008). This could be complemented by qualitative research focusing on the experiences of older people who move into retirement with these problems or get into debt later on.

Not only, then, have we gained greater knowledge and understanding of the role that equity release products play in the lives of older people, but also an awareness of some of the wider issues affecting the welfare of retirees. The research has also shed light on the potential role of equity release products for poorer pensioners and it has been suggested that governments may need to be more involved in the industry if those at the lower end of income and asset distribution are to benefit from these products. Regulation, it seems, is not enough. However, with governments currently committed to reducing public spending they may not consider this to be a viable or, indeed, desirable policy option, but the very factors

that potentially undermine state support for equity release are those that strengthen older people's need for collective action.

REFERENCES

- ABI (Association of British Insurers) (2008) *Retirement Savings in the UK: The State of the Nation's Savings*, Research Paper No. 10.
http://www.abi.org.uk/Publications/Retirement_Savings_in_the_UK3.aspx
- Actuarial Profession (2005) *Equity Release Report volume 1*, London: Actuarial Profession.
- Age Concern and Help the Aged (2009) *Coping with the crunch: the consequences for older people*, London: Age Concern and Help the Aged.
- Age UK (2010) *Equity Release*, Factsheet 65. Available at:
http://www.ageuk.org.uk/Documents/ENGB/Factsheets/FS65_Equity_release_October_2010_fcs.pdf?dtrk=true [accessed on 10.09.10]
- Age UK (2011a) *Capital, income and means-tested benefits*, Factsheet 53. Available at:
http://www.ageuk.org.uk/Documents/EN-GB/Factsheets/FS53Capital_income_and_means_tested_benefits_fcs.pdf.pdf?dtrk=true
[accessed on 30.06.11]
- Age UK (2011b) *Funding repairs, improvements and adaptations*, Factsheet 13. Available at:
http://www.ageuk.org.uk/Documents/EN-GB/Factsheets/FS13_Funding_repairs_improvements_and_adaptations_fcs.pdf?dtrk=true
[accessed on 30.06.11]
- Aldridge, A. and Levine, K. (2001) *Surveying the Social World – Principles and practice in survey research*, Buckingham: Open University Press.
- Aleroff, C. and Knights, D. (2008) *The Link between Income, Savings and Property in Funding Retirement*, Financial Services Research Forum, Nottingham Business School, Nottingham.
- Ando, A. and Modigliani, F. (1963) 'The "life-cycle" hypothesis of saving: aggregate implications and tests', *American Economic Review*, Vol. 53, pp. 55-84.
- Appleton, N. (2003) *Ready, steady...but not quite go – Older home owners and equity release: A review*, York: Joseph Rowntree Foundation.
- Appleyard, L. and Rowlingson, K. (2010) *Home-ownership and the distribution of personal wealth: A review of the evidence*, York: Joseph Rowntree Foundation.
- Askham, J., Nelson, H., Tinker, A. and Hancock, R. (1999) *To have and to hold: the bond between older people and the homes they own*, York: Joseph Rowntree Foundation.
- Australian Financial Review (1984) 'Lessons of the Assets Test', *Australian Financial Review*, June 4.

Baker, A. (2000) 'Globalisation and the British Residual State' in R. Stubbs and G. Underhill (eds.), *Political Economy and the Changing Global Order*, Canada: Oxford University Press.

Banks, J. and Tanner, S. (2007) 'Home-ownership and saving in the UK', *Housing Finance*, 45, pp. 25-29.

Bell, E. and Read, C. (1998) 'On the CASE: advice for collaborative studentships', Swindon: ESRC.

http://www.esrctoday.ac.uk/esrcinforcentre/images/onthecase_tcm6-7296.doc

Bennington, J. and Taylor, M. (1993) 'Changes and Challenges Facing the UK Welfare State in the Europe of the 1990s' *Policy and Politics*, Vol. 21, Part 2, pp. 121-134.

Bergman, M. M. (2008) 'The Straw Men of the Qualitative-Quantitative Divide and their influence on Mixed Methods Research' in M. M. Bergman (ed.) *Advances in Mixed Methods Research*, London: Sage, pp. 11-21.

Berry, M. and Dalton, T. (2010) 'Trading on Housing Wealth: Political Risk in an Aging Society' in S. Smith and B. Searle (eds.) *The Blackwell Companion to the Economics of Housing*, Oxford: Blackwell, pp. 238-256.

Bevan, and Rhodes (2003) *Private landlords and buy-to-let*, York: Joseph Rowntree Foundation.

Beveridge, W. (1943) *Pillars of Security*, London: George Allen and Unwin.

Blackwell, A. and Park, A. (2011) *The reality of generation rent*, London: NatCen.

Blaikie, N.W.H. (1991) 'A critique of the use of triangulation in social research' *Quality and Quantity*, Vol. 25, Part 2, pp. 115-136.

Blunkett, D. (2005) *The Asset State: the future of welfare*
<http://www.ippr.org/events/?id=1529>

Bochel, H. and Defty, A. (2007) 'MPs' Attitudes to Welfare: A New Consensus?' *Journal of Social Policy* Vol. 36, Part 1, pp. 1-17.

Bramley, G., Munro, A. and Pawson, H. (2004) *Key Issues in Housing*, Basingstoke: Palgrave.

Brannen, J. (2005) 'Mixing methods: The entry of qualitative and quantitative approaches into the research process', *International Journal of Social Research Methodology*, Vol. 8, Part 3, pp. 173-184.

Brennan, J. (2008) 'The Practice of a Mixed Methods Research Strategy: Personal, Professional and Project Considerations' in M. M. Bergman (ed.) *Advances in Mixed Methods Research*, London: Sage, pp. 53-65.

Bridge, C., Adams, T., Phibbs, P., Matthews, M. and Kendig, H. (2010) *Reverse Mortgages and older people: growth factors and implications for retirement decisions*, AHURI Final Report No. 146. Melbourne: Australian Housing and Urban Research Institute.

Brown, G. (2005) Speech by the Rt Hon Gordon Brown MP, Chancellor of the Exchequer at the launch of the government's consultation document on housing - '*Homebuy: Expanding the opportunity to own*', 1 April 2005. Available at www.hm-treasury.gov.uk

Bryman, A. (2004) *Social Research methods*, Oxford: Oxford University Press.

Burrows, R. and Wilcox, S. (2000) 'Half the poor: home-owners with low incomes', *Council for Mortgage Lenders*, Research Report Summary 33.

Canadian Home Income Plan Corporation (CHIP) (2011) *CHIP Factsheet*, available at: http://www.chipadvisor.ca/site/chipadvisor_ca/assets/pdf/fact_sheet.pdf [accessed on 01.09.11]

Castles, F. (1998) 'The really big trade-off: Home ownership and the welfare state in the new world and the old', *Acta Politica*, Vol. 33, Part 1, pp. 5–19.

Chen, H., Cox, S. and Wang, S. (2010) 'Is the Home Equity Conversion Mortgage in the United States sustainable? *Insurance: Mathematics and Economics*, Vol.46, pp.371-384.

Clarke, J. and Newman, J. (1997) *The Managerial State*, London: Sage.

Clarke, J., Gewirtz, S. and McLaughlin, E. (2000) 'Reinventing the Welfare State' in J. Clarke, S. Gewirtz and E. McLaughlin (eds.), *New Managerialism, New Welfare?* London: Sage, pp.1-26.

Clery, E., Humphrey, A. and Bourne, T. (2009) *Attitudes to Pensions: The 2009 Survey*, London: DWP.

Clery, E., McKay, S., Phillips, M. and Robinson, C. (2006) *Attitudes to Pensions: The 2006 Survey*, London: DWP.

Communities and Local Government website. Available at: <http://www.communities.gov.uk/housing/homeownership/> [accessed on 26.08.11]

Council of Mortgage Lenders (2004) *The CML Mortgage Market Manifesto: Taking the Past into the Future*, London: Council of Mortgage Lenders.

Crawford, M. (1997) 'The big pensions lie', *New Economy*, Vol. 4, Part 1, Spring.

Creswell, J.W. and Plano Clark, V.L (2007) *Designing and Conducting Mixed Methods Research*, London: Sage.

Croucher, K. (2008) *Housing Choices and Aspirations of Older People*, London: CLG.

Curry, C. (2010) 'Housing inequality at older ages' in *Housing Wealth Inequality – Economics Paper 6: Volume 1*, London: Department for Communities and Local Government.

Davey, J. (1996) *Equity Release: An option for older home-owners*, York: Centre for Housing Policy.

Dean, B. (2003) *A House of My Own - Report of the Home Ownership Task Force*, London: ODPM.

Defaqto (2008) *Equity Release – Entering the mainstream*, London: Defaqto.

Department for Work and Pensions (2006) *Security in Retirement: towards a new pension system*, London: DWP.

Department for Work and Pensions (2010) *The Pensioners Income Series 2008-09*, London: DWP.

Department for Work and Pensions (2011a) *A state pension for the 21st century*, London: DWP.

Department for Work and Pensions (2011b) *Households Below Average Income*, London: DWP.

Department of Economic and Social Affairs (2010) *Population and Vital Statistics Report - Series A Vol. LXII, No. 2*, New York: United Nations.

Department of Human Services (2011) *Pensions Loan Scheme*. Available at: [http://www.centrelink.gov.au/internet/internet.nsf/filestores/rt038_1107/\\$file/rt038_1107_en.pdf](http://www.centrelink.gov.au/internet/internet.nsf/filestores/rt038_1107/$file/rt038_1107_en.pdf) [accessed 28.08.11]

Department of Social Security (1998) *A New Contract for Welfare: Partnerships in Pensions*, London: Stationery Office.

Department of the Environment, Transport and the Regions (2001) *Private Sector Housing Renewal. Reform of the Housing Grants, Construction and Regeneration Act 1996, Local Government and Housing Act 1989 and the Housing Act 1985*, London: DETR

Doling, J. (2006) *OSIS Policy Issue*. Working Paper. Birmingham: Origins of Security and Insecurity. www.osis.bham.ac.uk/Downloads/policy_issues.doc.

Doling, J. (2009) *How would housing perform as a pension?* DEMHOW briefing. Available at: <http://www.birmingham.ac.uk/Documents/college-social-sciences/social-policy/DEMHOW/C2.pdf>

Doling, J. and Ford, J. (2007) 'A union of home owners', *European Journal of Housing Policy*, Vol. 7, Part 2, pp. 113-128.

Doling, J. and Overton, L. (2010) 'The European Commission's Green Paper: Reverse mortgages as a source of retirement income', *Wiadomosci Ubezpieczeniowe (Insurance news)*, no.3, pp. 45-57.

Doling, J. and Ronald, R. (2010) 'Home ownership and asset-based welfare' *Journal of Housing and the Built Environment*, Vol. 25, pp. 165-173.

Doling, J., Ford, J. and Horsewood, N. (2003) 'Globalisation and home ownership' in J. Doling and J. Ford (eds.), *Globalisation and home ownership. Experiences in eight member states of the European Union*, Delft: Delft University Press, pp.1-17.

Doling, J., Horsewood, N and Neuteboom, P. (2009) 'An Alternative approach to Pension Finance: the case of Reverse Mortgages'. Paper presented at Financial Institutions and Economic security conference 21-22 May 2009.

Dorling, D., Ford, J., Holmans, A., Sharp, C., Thomas, B. and Wilcox, S. (2005) (eds.), *The Great Divide: An analysis of Housing Inequality*, London: Shelter.

Dwyer, P. (2002) 'Making Sense of Social Citizenship', *Critical Social Policy*, Vol.22, Part 2, pp. 273-299.

Economic and Social Research Council (2007) 'The benefits of collaborative research between academic and public/voluntary sector partners' Swindon: ESRC.
<http://www.esrcsocietytoday.ac.uk/ESRCInfoCentre/opportunities/postgraduate/pgtraining/policy/index3.aspx?ComponentId=4681&SourcePageId=5405>

Etzioni, A. (1995) *The Spirit of Community: Rules, Responsibilities and the Community Agenda*, London: Fontana Press.

Etzioni, A. (1997) *The New Golden Rule, Community and Morality in a Democratic Society*, New York: Basic Books.

European Commission (2004) *Facing the Challenge: the Lisbon strategy for growth and employment*. Report from the high level group chaired by Wim Kok, Luxembourg: Office for the Official Publications of the EU.

European Commission (2010) *Green Paper: towards adequate, sustainable and safe European pension systems*, SEC (2010) 830, 7 July, Brussels.

Eurostat (2010) *In-Work Poverty in the EU*, Luxembourg: European Union
http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-RA-10-015/EN/KS-RA-10-015-EN.PDF

- Everitt, B.S. (1993) *Cluster Analysis, Third Edition*, UK: Heinemann Educational.
- Field, A. (2000) *Postgraduate statistics: Cluster analysis*. Available at:
<http://www.statisticshell.com/cluster.pdf>
- Financial Services Authority (2006) *The sale of lifetime mortgage products – mystery shopping results*, London: FSA.
- Financial Services Authority (2008) Mortgage Product Sales Data – Trends Report
http://www.fsa.gov.uk/pubs/other/psd_trends_mortgage.pdf
- Finch, J. and Mason, J. (2000) *Passing on: Kinship and inheritance in England*, London: Routledge.
- Finland (1999) 11th Informal Meeting of EU Housing Ministers, Final Communiqué, Kuopio, Finland, 27-28 September 1999
<http://presidency.finland.fi/netcomm/News/showarticle1127/.html>
- Finlayson, A. (2009) 'Financialisation, Financial Literacy and Asset-based Welfare' *The British Journal of Politics and International relations*, Vol. 11, pp. 400-421.
- Fisher, J., Johnson, D., Marchand, J., Smeeding, T. and Torrey, B (2007) 'No place like home: Older adults and their housing' *Journal of Gerontology Series B: Psychological Sciences and Social Sciences*, Vol. 62, pp. 130-128.
- Fleiss, A. (1985) *Home Ownership: Alternatives for the Elderly*, London: Department of the Environment, HMSO.
- Ford, J. (2006) 'UK home ownership to 2010 and beyond – Risks to lenders and borrowers' in J. Doling and M. Elsinga (eds.), *Home Ownership: Getting In , Getting From, Getting Out Part II*, Delft: IOS Press, pp. 201-220.
- Forrest, R. and Leather, P. (1998) 'The ageing of the property owning democracy', *Ageing and Society*, Vol.18, pp. 35-63.
- Forrest, R. and Murie, A. (1988) *Selling the Welfare State: The privatisation of Public Housing*, London: Routledge.
- Frey, J. H. (2004) 'Telephone Surveys' in M.S. Lewis-Beck, A. Bryman, and T.F. Liao (eds.), *The Sage Encyclopedia of Social Science Research Methods*, California: Sage.
- Gamble, A. and Prabhakar, R. (2006) 'The New Assets Agenda' *The Political Quarterly*.
- Gay, M. (2004) *Retirement realities: Shocked and Struggling – attitudes of older consumers to financial choices in retirement*, London: National Consumer Council.

General Lifestyle Survey (2008) *Marriage and Cohabitation*, available at:
<http://www.ons.gov.uk>

Gibbs, I. and Oldman, C. (1993) *Housing Wealth in Later Life: A Mixed Blessing?* York: Centre for Housing Policy.

Giddens, A. (1994) *Beyond Left and Right*, Cambridge: Polity Press.

Giddens, A. (1998) *The Third Way: The Renewal of Social Democracy*, Oxford: Polity Press.

Gilbert, N. (2002) *Transformation of the Welfare State*, Oxford: Oxford University Press.

Ginn, J. (2008) 'Poverty and financial inequality in later life' in T. Ridge and S. Wright (eds.) *Understanding Inequality, Poverty and Wealth*, Bristol: The Policy Press, pp. 205-233.

Glennerster, H. and McKnight, A. (2006) 'A capital start: but how far do we go?' in W. Paxton and S. White (eds.) with D. Maxwell, *The Citizens Stake – Exploring the future of universal asset policies*, Bristol: The Policy Press, pp 87-103.

Greene, J. C., Caracelli, V. J. and Graham, W. F. (1989) 'Toward a conceptual framework for mixed method evaluation designs', *Educational Evaluation and Policy Analysis*, Vol. 11, Part 3, pp. 255-274.

Grix, J. (2004) *The Foundations of Research*, Hampshire: Palgrave Macmillan.

Groves, R., Murie, A. and Watson, C. (2007) 'From Tenants to Home-Owners: Change in the Old Welfare States' in R. Groves, A. Murie and C. Watson (eds.), *Housing and the New Welfare State: Perspectives from East Asia and Europe*, Hampshire: Ashgate, pp. 177-193.

Guba, E. G. and Lincoln, Y. S. (1985) *Naturalistic Inquiry*, London: Sage.

Halifax House Price Index (2011)
http://www.lloydsbankinggroup.com/media1/research/halifax_hpi.asp

Hammersley, M. (1992) *What's wrong with Ethnography?* London: Routledge.

Hammersley, M. (2008) 'Troubles with Triangulation' in M. M. Bergman (ed.), *Advances in Mixed Methods Research*, London: Sage, pp. 22-36.

Hamnett, C. (1999) *Winners and Losers: Homeownership in Modern Britain*, London: UCL Press.

Hamnett, C. (2010) 'Housing and Wealth in Britain' in *Housing Wealth Inequality – Economics Paper 6: Volume 1*, London: Department for Communities and Local Government, pp. 14-20.

Hamnett, C. and Seavers, J. (1996) Home-ownership, housing wealth and wealth distribution in Britain in J. Hills (Ed) *New Inequalities – The Changing distribution of income and wealth in the United Kingdom*, Cambridge: Cambridge University Press.

Hancock, R (1998a) 'Housing wealth, income and financial wealth of older people in Britain' *Ageing and Society*, Vol. 18, pp. 5-33.

Hancock, R (1998b) 'Can Housing Wealth Alleviate Poverty among Britain's Older Population?' *Fiscal Studies*, Vol.19, Part 3, pp. 249-272.

Hancock, R. (1999) *Home-ownership in old age: financial benefit or burden?* York: Joseph Rowntree Foundation.

Hancock, R. (2000) 'Estimating the Housing Wealth of Older Home Owners in Britain' *Housing Studies*, Vol. 15, Part 4, pp. 561-579.

Harker, L. (2005) 'A 21st Century Welfare State' in N. Pearce and W. Paxton (eds.), *Social Justice – Building a Fairer Britain*, London: Politico.

Harris, P. (2002) 'Welfare Rewritten: Change and Interlay in Social and Economic Accounts', *Journal of Social Policy*, Vol. 31, Part 3, pp. 377-398.

Harrop, M. and Joplin, K. (2009) *One Voice: Shaping our ageing society*, London: Age Concern and Help the Aged.

Hewitt, M. (2002) 'New Labour and the redefinition of social security' in M. Powell (ed.) *Evaluating New Labour's Welfare Reforms*, Bristol: Policy Press, pp. 189-210.

Hills, J., Brewer, M., Jenkins, S., Lister, R., Lupton, R., Machin, S., Mills, C., Modood, T., Rees, T. and Riddell, S. (2010) *An anatomy of economic inequality in the UK*, London: Government equalities office.

HM Treasury (2008) *Pre-Budget Report, November 2008*, London: HMSO.

Holmans, A. (2008) *Prospects for UK housing wealth and inheritance*, London: Council of Mortgage Lenders.

HomeEquity Bank (2009) *Canada's Leading National Reverse Mortgage Provider Becomes a Chartered Bank*, HomeEquity Bank press release, October 13th 2009.

http://www.homeequitybank.ca/files/dmfile/press_release_oct_13_bank.pdf

HomeEquity Bank (2011) *HomeEquity Bank Reports Record Annual Originations*, HomeEquity Bank press release, January 11th, 2011. <http://www.homeequitybank.ca/files/dmfile/Press-Release-January-11-2011.pdf>

Hosty, G. (2005) *Pricing, risk and potential in the equity release market*, CML Housing Finance.

Hosty, G., Groves, S., Murray, C. and Shah, M. (2007) *Pricing and Risk Capital in the Equity Release Market*, London: Institute of Actuaries and Faculty of Actuaries.

Huan, C. and Mahoney, J. (2002) 'Equity release mortgages' *Housing Finance International*, Vol. 16, Part 4, pp. 29-36.

HUD (2011) *Home Equity Conversion mortgages for seniors*, Available at:
http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/hecm/hecmhome

Institute for Fiscal Studies (2004) *Pensions, Pensioners and Pensions Policy: Financial security in UK retirement savings?* London: IFS.

Institute for Fiscal Studies (2008) *The Inflation Experience of Older Households*, London: IFS.

International Longevity Centre (2003) *The giving age: inheritance in the context of an aging population*, London: ILC.

International Monetary Fund (2010) *World Economic Outlook Database Oct 2010*
<http://www.imf.org/external/ns/cs.aspx?id=28> [Accessed on 26.07.11].

Izuhara, M. (2005) 'Residential property, cultural Practices and the 'Generational Contract' in England and Japan *International Journal of Urban and Regional Research* Vol. 29, Part 2, pp. 327-340.

Jarvis, H. (2008) 'Doing Deals on the House in a Post-welfare Society: Evidence of Micro-Market Practices from Britain and the USA' *Housing Studies*, Vol. 23, Part 2, pp. 213-231.

Jensen, P. and Pfau-Effinger, B. (2005) 'Active citizenship: the new face of welfare' in J. Goul Andersen, A. Guillemard, P. Jensen and B. Pfau-Effinger (eds.) *The Changing Face of Welfare*, Bristol: The Policy Press.

Jessop, B. (1994) 'The Transition to Post-Fordism and the Schumpeterian Workfare State' in R. Burrows and B. Loader (eds.), *Towards a Post-Fordist Welfare State?* London: Routledge, pp. 13-37.

Johansson, H. and Hvinden, B. (2005) 'Welfare governance and the remaking of citizenship' in J. Newman (ed.), *Remaking Governance*, Bristol: Policy Press, pp. 101-118.

Jones, A., Bevan, M. and Quilgars, D. (2010) 'Cautiously optimistic? UK households' perceptions of old age, retirement and the role of housing equity', *Teorija in Praksa*, Vol. 47, Part 5, pp.994-1010

Keat, R. and Urry, J. (1975) *Social Theory as Science*, London: Routledge and Kegan Paul.

Key Retirement Solutions (2005) *Consumers confused about equity release*
<http://www.keyrs.co.uk/about-key/press-office/press-releases/consumers-confused-about-equity-release>

Key Retirement Solutions (2007) *UK pensioners could waste £62,000 by sticking with the same equity release deal* – Press release.
<http://www.keyrs.co.uk/press-releases/uk-pensioners-could-waste-62000-by-sticking-with-the-same-equity-release-deal/>

Key Retirement Solutions (2008) *UK Equity Release Market Monitor*, Preston: KRS.
<http://www.keyrs.co.uk/press-releases/uk-equity-release-market-monitor-2008-quarter-4-full-year-review/>

Key Retirement Solutions (2009) *UK Equity release Market Monitor*, Preston: KRS.
<http://www.keyrs.co.uk/media/Q3-09-MARKET-MONITOR.pdf>

Key Retirement Solutions (2010) *UK Equity Release Market Monitor*, Preston: KRS.
<http://www.keyrs.co.uk/media/MARKET-REPORT-ANNUAL-2010.pdf>

Klein, R. and Millar, J. (1995) 'Do-it-yourself social policy', *Social Policy and Administration*, Vol. 29, Part 4, pp. 306-316.

Kumar, R. (1999) *Research Methodology*, London: Sage.

Lanzieri, G. (2011) *The greying of the baby boomers – A century long view of ageing in European populations*, Eurostat: Luxembourg.

Leather, P. and Wheeler, R. (1988) *Making Use of Home Equity in Old Age*, Report of a Research Project on the Housing needs of Elderly Owner-Occupiers, London: The Building Societies Association.

Leibfried, S. and Pierson, P. (2000) 'Social Policy' in H. Wallace and W. Wallace (eds.), *Policy-making in the European Union*, Oxford: Oxford University Press, pp. 267-292.

Levin, L. (1998) 'Are assets fungible? Testing the behavioural theory of life savings' *Journal of Economic Behaviour and Organisation* Vol. 36, pp 59-83.

Lister, R. (1998) 'New Conceptions of Citizenship' in N. Ellison and C. Pierson (eds.), *Developments in British Social Policy*, Basingstoke: Macmillan, pp. 46-60.

Lister, R. (2002) 'Citizenship and changing welfare states' in J. Andersen and P. Jensen (eds.), *Changing Labour Markets, Welfare Policies and Citizenship*, Bristol: Policy Press, pp 39-57.

Lloyd, J. (2007) *Asset Accumulation in Focus: The Challenges Ahead*, London: International Longevity Centre.

Lowe, S. (2004) *Housing Policy Analysis*, Basingstoke: Palgrave.

Malpass, P. (2005) *Housing and the Welfare State: The Development of Housing Policy in Britain*, Basingstoke: Palgrave Macmillan.

Malpass, P. (2008) 'Housing and the New Welfare State: Wobbly Pillar or Cornerstone?' *Housing Studies*, Vol. 23, Part 1, pp. 1-19.

Mann, K. (2006) 'Three Steps to Heaven? Tensions in the Management of Welfare: Retirement Pensions and Active Consumers' *Journal of Social Policy*, Vol. 35, Part 1, pp. 77-96.

Maxwell, D. (2005) *Shifting foundations – Home ownership and government objectives*, London: IPPR.

Maxwell, D. and Sodha, S. (2005) *Top Tips for Top Ups: Next Steps for the Child Trust Fund*, London: IPPR.

McKay, S. (2003) 'Reforming pensions: investing in the future' in J. Millar (ed.) *Understanding Social Security*, Bristol: The Policy Press, pp. 189-209.

McKay, S. (2009) 'Reforming pensions: investing in the future' in J. Millar (ed.) *Understanding Social Security*, Bristol: The Policy Press, pp. 171-192.

McKay, S., Kempson, E., Atkinson, A. and Crame, M. (2008) *Debt and Older People – How age affects attitudes to borrowing*, London: Help the Aged.

Mishra, R. (1999) *Globalisation and the Welfare State*, Cheltenham: Edward Elgar.

Morgan, D. (2007) 'Paradigms Lost and Pragmatism Regained: Methodological Implications of Combining Qualitative and Quantitative Methods' *Journal of Mixed Methods Research*, Vol. 1, Part 1, pp. 48-76.

Mullins, D. and Murie, A. (2006a) 'The Origins of Housing Policy' in Mullins, D. and Murie, A. with P. Leather, P. Lee, M. Riseborough and B. Walker, *Housing Policy in the UK*, Basingstoke: Palgrave Macmillan, pp. 13-37.

Mullins, D. and Murie, A. (2006b) 'Housing under the Conservatives, 1979-97' in Mullins, D. and Murie, A. with P. Leather, P. Lee, M. Riseborough and B. Walker, *Housing Policy in the UK*, Basingstoke: Palgrave Macmillan, pp. 38-65.

Munro, M. (2007) 'Evaluating Policy Towards Increasing Owner Occupation' *Housing Studies*, Vol. 22, Part 2, pp. 243-260.

National Consumer Council (1999) *Equity Release*, London: National Consumer Council.

National Reverse Mortgage Lenders Association (2011) *HECM Overview*, Available at: http://www.nrmlaonline.org/rms/products/default.aspx?article_id=876

Nationwide (2009) UK House Price Data. <http://www.nationwide.co.uk/hpi/historical.htm>

Nickell S. (1999) 'Unemployment in Britain' in P. Gregg and J. Wadsworth (eds.) *The state of working Britain*, Manchester: Manchester University Press, pp. 7-28.

Norusis, J. (2011) *IBM SPSS Statistics 19 – Statistical Procedures Companion*, New Jersey, Prentice Hall.

Office for National Statistics (2009) *Wealth in Great Britain: main results from the wealth and assets survey 2006/08*.

<http://www.statistics.gov.uk/downloads/themeeconomy/wealth-assets-2006-2008/WealthinGB20062008.pdf>

Office for National Statistics (2010a) 'Population Change', *Pension Trends*, Chapter 2. <http://www.ons.gov.uk/ons/rel/pensions/pension-trends/chapter-2--population-change/index.html>

Office for National Statistics (2010b) *National Statistics Online* <http://www.statistics.gov.uk/cci/nugget.asp?ID=949>.

Office for National Statistics (2010c) 'Inequalities and Poverty in Retirement', *Pension Trends*, Chapter 13.

<http://www.ons.gov.uk/ons/rel/pensions/pension-trends/chapter-13--inequalities-and-poverty-in-retirement/index.html>

Office for National Statistics (2011) 'The Labour Market and Retirement', *Pension Trends*, Chapter 4.

<http://www.ons.gov.uk/ons/rel/pensions/pension-trends/chapter-4--labour-market---retirement/index.html>

Office of the Deputy Prime Minister (2003) *Equity Shares for Social Housing*, London: ODPM.

Office of the Deputy Prime Minister (2005a) *Sustainable Communities: Homes for All – 5 year plan of the Office of the Deputy Prime Minister*, London: HMSO.

Office of the Deputy Prime Minister (2005b) *Homebuy- expanding the opportunity to buy*, London: ODPM.

Office of the Deputy Prime Minister and HM Treasury (2005) *Extending home ownership*, London: ODPM

Ohmae, K. (1990) *The Borderless World*, London: Fontana.

- Ormston, R., Curtice, J. and Fawcett, H. (2007) 'Who should pay for my care – when I'm 64?' in A. Park, J. Curtice, K. Thomson, M. Phillips and M. Johnson (eds.) *British Social Attitudes: Perspectives on a changing society, 23rd Report, 2006/07*, London: Sage.
- Orton, M. (2008) 'State approaches to wealth' in T. Ridge and S. Wright (eds.), *Understanding Inequality, Poverty and Wealth*, Bristol: The Policy Press, pp. 259-282.
- Overton, L. (2010) *Housing and Finance in Later life: A study of UK equity release customers*, London: Age UK.
- Page, R. (2007) 'Without a Song in their Heart: New Labour, the Welfare State and the Retreat from Democratic Socialism' *Journal of Social Policy*, Vol. 36, Part 1, pp. 19-37.
- Palier, B. and Sykes, R. (2001) 'Challenges and Change: Issues and Perspectives in the Analysis of Globalization and the European Welfare States' in R. Sykes, B. Palier and P. Prior (eds.) *Globalization and European Welfare States*, Basingstoke: Palgrave, pp. 1-16.
- Panel of Review of the Proposed Income and Assets Test (Australia) (1984) *Report of the Panel of Review of the Proposed Income and Assets Test*, Canberra: Australian Government Publishing Service.
- Paxton, W. (2003) 'Introduction' in W. Paxton, (ed.) *Equal Shares? Building a progressive and coherent asset-based welfare policy*, London: IPPR, pp. 1-8.
- Paxton, W. and White, S. (2006) Introduction: the new politics of ownership in W. Paxton, S. White, (eds.) with D. Maxwell, *The Citizens Stake – Exploring the future of universal asset policies*, Bristol: The Policy Press, pp. 1-12.
- Pensions Commission (2004) *Pensions: Challenges and Choices*, Norwich: TSO.
- Pensions Policy Institute (2007) *The changing landscape for private sector Defined Benefit pension schemes*, London: PPI
http://www.pensionspolicyinstitute.org.uk/uploadeddocuments/PPI_Landscape_for_DB_Schemes_8_October_2007.pdf
- Pensions Policy Institute (2009a) *Retirement income and assets: how can housing support retirement?* London: PPI.
https://www.pensionspolicyinstitute.org.uk/uploadeddocuments/2009/PPI_Retirement_income_and_assets_report_2_-_Housing_Sept_2009.pdf
- Pensions Policy Institute (2009b) *Retirement income and assets: do pensioners have sufficient income to meet their needs?* London: PPI.
https://www.pensionspolicyinstitute.org.uk/uploadeddocuments/2009/PPI_Retirement_Income_and_Assets_28_April_2009.pdf

- Pensions Policy Institute (2010) *Retirement income and assets: outlook for the future*, London: Pensions Policy Institute.
https://www.pensionspolicyinstitute.org.uk/uploadeddocuments/2010/PPI_fourth_Retirement_income_and_assets_report_Feb_2010.pdf
- Pensions Policy Institute (2011a), *Pension Facts*, Available at:
<http://www.pensionspolicyinstitute.org.uk/default.asp?p=72> [accessed 19.08.11]
- Pensions Policy Institute (2011b) *The Pensions Primer*. Available at:
https://www.pensionspolicyinstitute.org.uk/uploadeddocuments/Primer/2011/Primer_Introduction_Updated_16_March_2011.pdf [accessed on 28.07.11]
- Pensions Policy Institute (2011c) *The implications of Government policy for future levels of pensioner poverty*, London: PPI
https://www.pensionspolicyinstitute.org.uk/uploadeddocuments/2011/20110711_PPI_The_implications_of_Government_policy_for_future_levels_of_pensioner_poverty.pdf
- Performance and Innovation Unit (2000) *Winning the generation game*, London: HMSO.
- Phillips, M. and Hancock, R. (2005) 'Planning for retirement: realism or denial?' in A. Park, J. Curtice, K. Thomson, C. Bromley, M. Phillips and M. Johnson (eds.) *British Social Attitudes: Two terms of New Labour, 22nd Report, 2005/06*, London: Sage, pp. 161-195.
- Pierson, C. (1998) Theory in British Social Policy in N. Ellison and C. Pierson, (eds.) *Developments in British Social Policy*, Basingstoke: Macmillan, pp. 17-30.
- Powell, M. (2000) 'New Labour and the Third Way in the British Welfare State: a new and distinctive approach?' *Critical Social Policy*, Vol.20, Part 1, pp. 39-60.
- Powell, M. and Hewitt, M. (2002) *Welfare State and Welfare Change*, Buckingham: Open University Press.
- Prabhakar, R. (2009) 'The Assets Agenda and Social Policy', *Social Policy and Administration*, Vol. 43, Part 1, pp. 54-69.
- Prime Minister's Office (2008) 'The Queen's Speech – Transcript', www.number10.gov.uk.
- Prudential (2009) *Equity release index*, June.
- Punch, K. (1998) *Introduction to Social Research: Quantitative and Qualitative Approaches*, London: Sage.
- Punch, K. (2000) *Developing Effective Research Proposals*, London: Sage.
- Quilgars, D. and Jones, A. (2007) 'United Kingdom: Safe as houses?' in M. Elsinga, P. De Decker, N. Teller and J. Toussaint (eds.) *Home Ownership beyond asset and security*, Amsterdam: IOS Press, pp. 259-286.

- Quilgars, D and Jones, A. (2010) 'Housing Wealth: A safety Net of Last Resort? Findings from a European Study' in S. Smith and B. Searle (eds.) *The Blackwell Companion to the Economics of Housing: The Housing Wealth of Nations*, Oxford: Blackwell, pp. 295-315.
- Reifner, U., Clerc-Renaud, S., Perez-Carillo, E., Tiffe, A. and Knobloch, M. (2009) *Study on equity release schemes in the EU*, Part 1 General Report, Hamburg: Institut für Finanzdienstleistungen.
- Ring, P. (2003) 'Risk and UK Pension Reform' *Social Policy and Administration*, Vol. 37, Part 1, pp. 65-81.
- Ritchie, J. (2003) 'The applications of Qualitative Methods to Social Research' in J. Ritchie and J. Lewis (eds.) *Qualitative Research Practice*, London: Sage, pp. 24-46.
- Ritchie, J. and Spencer, L. (1994) 'Qualitative data analysis for applied policy research' in A. Bryman and R.G. Burgess (eds.) *Analyzing Qualitative Data*, London: Routledge, pp. 173-194.
- Ritchie, J., Spencer, L. and O'Connor, W. (2003) 'Carrying out Qualitative Analysis' in J. Ritchie and J. Lewis (eds.) *Qualitative Research Practice*, London: Sage, pp. 219-262.
- Rose, N. (1999) *Powers of Freedom: Reframing Political Thought*, Cambridge: Cambridge University Press.
- Rose, N. and Millar, P. (1992) 'Political power beyond the state: Problematics of government' *British Journal of Sociology*, Vol.43, Part 2, pp. 173-205.
- Rowlingson, K. (2003) 'From Cradle to grave: social security over the life cycle' in J. Millar (ed.) *Understanding Social Security*, Bristol: The Policy Press, pp. 11-29.
- Rowlingson, K. (2006) "'Living Poor to Die Rich'? Or 'Spending the Kids' Inheritance'?" Attitudes to Assets and Inheritance in Later Life' *Journal of Social Policy*, Vol. 35, Part 2, pp. 175-192.
- Rowlingson, K. and McKay, S. (2005) *Attitudes To Inheritance In Britain*, Bristol: The Policy Press.
- Rowlingson, K. and McKay, S. (2011 forthcoming) *Wealth and the Wealthy: Why they matter and what we might do about them*, Bristol: The Policy Press.
- Sale, J.E.M., Lohfeld, L. H., & Brazil, K. (2002) 'Revisiting the quantitative-qualitative debate: Implications for mixed-methods research', *Quality & Quantity*, Vol. 36, pp. 43-53.
- Scholte, J. A. (2000) *Globalisation: A Critical Introduction*, London: Macmillan.

Sefton, T. (2003) 'What we want from the welfare state' in Park, A., Curtice, J., Thomson, K., Jarvis, L. and Bromley, C. (eds.) *British Social Attitudes: Continuity and change over two decades, 20th Report, 2003/04* London: Sage, pp. 1-28.

Sen, A. (1999) *Development as freedom*, Oxford: Oxford University Press.

SEQUAL (2008) '*It's on the house*' A consumer study into the Attitudes and Perceptions of Australians aged over 60 years, Sydney: Senior Australian Equity Release Association of Lenders.

SEQUAL (2011) *Australia's reverse mortgage market reaches \$3bn at 31st December 2010*, SEQUAL Press Release, available at:
http://www.sequal.com.au/images/Media_Releases/australia%5C%27s%20reverse%20mortgage%20market%20reaches%20%243bn.pdf

Shan, H. (2011) 'Reversing the Trend: The recent expansion of the reverse mortgage Market', *Real Estate Economics*, pp.1-26.

Sherraden, M. (1991) *Assets and the Poor, A New American Welfare Policy*, London: M. E. Sharpe.

Sherraden, M. (2003) 'Assets and the social investment state' in Paxton, W. (ed.) *Equal Shares? Building a progressive and coherent asset-based welfare policy*, London: IPPR, pp. 28-41.

Sherraden, M. (2005) 'Assets and Public Policy' in M. Sherraden (ed.) *Inclusion in the American dream: Assets, poverty and public policy*, Oxford: Oxford University Press, pp. 3-19.

Sherraden, M., Schreiner, M. and Beverly, S. (2002) *Income, institutions and saving performance in individual development accounts*, Working paper 02-03 Centre for Social Development, Washington University.

SHIP (2009a) *Facing the Future: Redefining equity release to meet today's social and economic challenges*, London: SHIP.

SHIP (2009b) *End of year figures*. Available at:
<http://www.shipltd.org/uploads/Equity%20Release%20Market%20Stabilises%20in%20Q4%202009.pdf>

SHIP (2009c) *Growing pensioner divorce leaves over 60s worse off*
<http://www.shipltd.org/uploads/GROWING%20PENSIONER%20DIVORCE%20LEAVES%20OVER%2060'S%20FINANCIALLY%20WORSE%20OFF.pdf>

SHIP (2011a) *The Equity Release Market*. Available at: <http://www.ship-ltd.org/equityreleasemarket.aspx>.

SHIP (2011b) *Business figures since 2001*. Available at: <http://www.ship-ltd.org/uploads/SHIP%20business%20Figures%20since%202001.pdf>

Shuy, R. W. (2002) 'In-person Versus Telephone Interviewing' in J. F. Gubrium and J. A. Holstein (eds.) *Handbook of Interview Research: Context and Method*, California: Sage, pp. 537-556

Silverman, D. (2005) *Doing Qualitative Research – Second Edition*, London: Sage.

Smith, J. (2002) 'CML market research results 2001' *Housing Finance*, no.53, spring, pp. 13-27.

Smith, J. (2004) 'Exploring attitudes to housing wealth and retirement', *Housing Finance*, Autumn, pp. 22-33.

Smith, J. (2005) 'Mortgage equity withdrawal and remortgaging activity' in P. Boelhouwer, J. Doling and M. Elsinga (eds.) *Home Ownership: Getting In, Getting From, Getting Out*, Delft: IOS Press.

Smith, S. J. and Searle, B. A. (2008), 'Dematerialising money: the flow of wealth from housing to other things', *Housing Studies*, Vol. 23, Part 1, pp. 21–43.

Smith, S. and Searle, B. A. (2010) 'Editorial' in S.J. Smith and S. Searle (eds.), *The Blackwell Companion to the Economics: The Housing Wealth of Nations*, Oxford: Blackwell, pp. 227-237.

Smith, S. J., Searle, B. A. and Cook, N. (2007), 'Banking on housing; spending the home', End of Award Report (www.esrc.ac.uk).

Smith, S.J., Searle, B. A. and Cook, N. (2008) 'Re-thinking the risks of home ownership', *Journal of Social Policy*, Vol.38, Part 1, pp. 83-102.

Sodha, S. (2005) *Housing-Rich, Income-Poor – The Potential of housing wealth in old age*, London: IPPR.

Surender, R. (2004) 'Modern Challenges to the Welfare State and the Antecedents of the Third Way' in J. Lewis and Surender, R. (eds.) *Welfare State Change – Towards a Third Way?* Oxford: Oxford University Press, pp. 3-24.

Sutherland Report (1999) *With Respect to Old Age: Long Term Care - Rights and Responsibilities*, A Report by The Royal Commission on Long Term Care, London: Stationary Office.

Swank, D. (2005) 'Globalisation, Domestic Politics and Welfare State Retrenchment in Capitalist Democracies', *Social Policy and Society*, Vol. 4, Part 2, pp. 183-195.

- Taylor, E. (2011) *Public Attitudes to Housing in England*, London: DCLG.
- Taylor-Gooby, P. (2001a) 'Preface' in P. Taylor-Gooby (ed.), *Welfare States under Pressure*, London: Sage,
- Taylor-Gooby, P. (2001b) 'Welfare Reform in the UK: the Construction of a Liberal Consensus' in P. Taylor-Gooby (ed.) *Welfare States under Pressure*, London: Sage, pp. 147-170.
- Taylor-Gooby, P. (2001c) 'The Politics of Welfare in Europe' in P. Taylor-Gooby (ed.), *Welfare States under Pressure*, London: Sage, pp. 1-28.
- Taylor-Gooby, P. (2008) *Reframing Social Citizenship*, Oxford: Oxford University Press.
- Taylor-Gooby, P. (2011) 'The UK Welfare State Going West' in N. Yeates, T. Haux, R. Jawad and M. Kilkey (eds.) *In Defence of Welfare: The Impacts of the Spending Review*, Social Policy Association, pp. 12-15.
- Taylor-Gooby, P. and Larsen, T. (2004) 'The UK – A Test Case for the Liberal Welfare State?' in P. Taylor-Gooby (ed.) *The Transformation of the European Welfare State*, Oxford: Oxford University Press, pp. 55-82.
- Terry, R. and Gibson, R. (2006) *Obstacles to Equity Release*, York: Joseph Rowntree Foundation.
- Terry, R. and Gibson, R. (2010) *Can equity release help older home-owners improve their quality of life?* York: Joseph Rowntree Foundation.
- Thoresen, O. (2007) *Thoresen Review of Generic Financial Advice. Interim Report*, London: HMSO
- Thoresen, O. (2008) *Thoresen Review of Generic Financial Advice. Final Report*, London: HMSO.
- Torgersen, U. (1987) 'Housing: the Wobbly Pillar under the welfare state' in B. Turner, J. Kemeny and Lundqvist (eds.) *Between State and Market: Housing in the Post-Industrial Era*, Stockholm: Almqvist and Wiksell, pp. 116-126
- Toussaint, J. and Elsinga, M. (2009) 'Exploring 'housing asset-based welfare' can the UK be held up as an example for Europe?' *Housing Studies*, Vol. 24, Part 5, pp. 669-692.
- Treasury Select Committee (2004) *Restoring Confidence in Long Term Savings: Endowment Mortgages*, London: The Stationary Office.
- Vickerstaff, S. (2006) 'Life Course, Youth and Old Age' in P. Taylor-Gooby and J. Zinn (eds.) *Risk in social science*, Oxford: Oxford University Press, pp. 180-201.

Vincent, J. (1999) *Politics, Power and old age*, Buckingham: Open University Press.

Walker, A. (1990) 'The economic "burden" of ageing and the prospect of intergenerational conflict', *Ageing and Society*, Vol.10, pp. 377-396.

Walker, A. (2005) 'Which way for the European social model: minimum standards or social quality?' in J. Goul Andersen, A. Guillemand, P. Jensen and B. Pfau-Effinger (eds.) *The Changing Face of Welfare*, Bristol: The Policy Press, pp. 33-53.

Watson, M. (2009a) 'Planning for a Future of Asset-based Welfare? New Labour, Financialised Economic Agency and the Housing Market' *Planning, Practice and Research* Vol. 24, Part 1, pp. 41-56.

Watson, M. (2009b) *When is a House not just a Home? Asset-based Welfare and the British Housing Market*, Paper presented at the annual conference of the Housing Studies Association, Cardiff University, April 15th-17th.

Willetts, D. (2010) *The Pinch*, London: Atlantic books.

Williams, P. (2007) 'Home-ownership at the crossroads?' Council of Mortgage Lenders, *Housing Finance*, Spring, Issue 2.

Yates, J. and Bradbury, B. (2010) 'Home ownership as a (crumbling) fourth pillar of social insurance in Australia', *Journal of Housing and the Built Environment*, Vol.25, pp. 193-21.

APPENDICES

Appendix 1.1 – The Benefits of CASE Studentships

The benefits of a CASE studentship include the opportunity to develop skills, work collaboratively, provide independent expertise, gain real life experience outside of academia and do research that the organisation is unable to do internally or perhaps feels is not cost – effective to carry out internally (ESRC, 2007). The benefits are therefore two-way. Age UK's role was to facilitate access to equity release providers and thus help to make the research possible. Jane Vass and a number of her colleagues were also on hand to provide general help and advice throughout the course of the empirical research. In return, Age UK received a report entitled *Housing and Finance in Later Life: A study of UK equity release customers* which was published in June 2010. I also made annual presentations to Age UK as the research progressed.

In addition to the benefits obtained from the more formal role that Age UK played, I feel that I benefited from the collaboration in a number of other ways. For example, I had the opportunity to develop my presentation skills, particularly in terms of presenting to non-academic audiences. I also gained experience of how 'real world' research works and how to balance different interests and manage people's expectations while trying to achieve the key aims and objectives of a project.

Throughout the process I was able to access the knowledge and expertise of many different people working at Age UK who all taught me something new. I also experienced, first hand, how the media can be used to gain research impact having written a press release with Age UK's media officer following the launch of the report. Overall, I learned a lot from the CASE

studentship and having the opportunity to do my PhD in this way, rather than the more traditional way, has been invaluable.

Appendix 4.1 Explanation of research questions

Research questions	Explanation	Sources/methods
Main question What role do equity release products play?	Although the focus of this research is on the role of equity release products in relation to welfare, we do not know whether this is what they are used for in practice. The purpose of this question is therefore to find out what role (or roles) the products do play. How many people use them and who are they? Are they used out of necessity, to meet welfare needs, or are people choosing to use them to improve their lifestyles? What do they spend the money on and what impact does it have on their living standards? These sorts of questions all relate to this overall question. The answers to the sub-questions listed below therefore help to answer this main research question.	The sources listed below will all be used to answer this overall question.
What is equity release and how widespread is its use?	The purpose of this question is to define what is meant by equity release and, in particular, to define what is meant by the use of the term equity release in this thesis. An understanding of the products and how they work will provide the reader with useful information that they can keep in mind when reading about peoples experiences of using these products. An investigation of the extent to which equity release products are used also helps to answer the main research question. For example, if equity release can improve living standards yet very few people use these products, then its role in relation to welfare will be limited.	Existing data and information on equity release products and the market in the UK will be used to answer this question.
What kinds of older people use equity release products, why do they do so and how do they feel about using them?	The first of these three questions relates to the characteristics of equity release customers. The second question, why do they use the products, refers to what they spend the money on but also customer's financial and personal circumstances because these might also help to explain why they have used equity release products. This question will also involve looking at why customers have opted to use equity release products to access their housing wealth rather than other means such as trading down. The third question 'how do they feel about using them' also has a number of elements to it.	Empirical research is necessary here given that little is known about equity release customers. Data from the survey and the follow-up interviews conducted for this study will be used to answer these questions.

	It relates to how satisfied or dissatisfied customers are with the products and also how they feel about using the products to fund retirement. This will involve exploring their attitudes to inheritance and responsibility for financial security.	
Research questions	Explanation	Sources/methods
How, if at all, has this changed over time?	The last major academic study on people's experience of using equity release products was carried out in 1995 by Judith Davey. Much has changed since then in the equity release market, the housing market, the pensions arena and welfare arrangements more generally. This question therefore aims to examine any changes that may have occurred in the characteristics of customers and their reasons for using the products.	Many of the questions or topic areas that Davey used were also used in this study. However direct comparisons are relatively limited given differences in sample size, sampling methods and the types of questions she used. However the data from her study will be used to provide broad comparisons and indications of changes over time.
What are the implications of these findings for the role of equity release products in relation to welfare?	This question will consider what the findings from the study mean for pensions and the role of individualised, asset-based approaches to welfare. Thus consideration will be given to: access issues, how much income can be obtained from equity release products and how safe/secure they seem to be. It will explore whether, how and by whom equity release products can be used to supplement pension incomes and the policy implications relating to this. The question also refers to the broader issue of welfare state restructuring and the role of the individual and personal assets in relation to this. For example, if people are having to use equity release products in order to avoid poverty or to secure a decent standard of living in retirement then this raises questions about the welfare of asset-excluded groups.	The empirical and desk-based research findings combined with the literature review will be used to shed light on this question. The discussion chapter at the end of the thesis will concentrate on this question.

Appendix 4.2 - Equity release Questionnaire (Overton, 2009)

Equity Release Survey																													
<p>Please fill in the questionnaire by ticking the appropriate box(es) at each question or writing in the relevant information. Ignore the little numbers beside the boxes; they just help us to record the information.</p>																													
About your equity release plan																													
<p>Q1 When did you originally take out your equity release plan?</p> <p>Within the last twelve months <input type="checkbox"/> 1</p> <p>1-5 years ago <input type="checkbox"/> 2</p> <p>6-10 years ago <input type="checkbox"/> 3</p> <p>11-15 years ago <input type="checkbox"/> 4</p> <p>More than 15 years ago <input type="checkbox"/> 5</p> <p>Don't know <input type="checkbox"/> 6</p>																													
<p>Q2 What type of plan did you take out?</p> <p>Lifetime mortgage (where you take out a mortgage loan against your home and make no monthly repayments) <input type="checkbox"/> 1</p> <p>Home Reversion scheme (where you sell your home or a share of it to a reversion company but make no rental payments) <input type="checkbox"/> 2</p> <p>Other (please write in) <input type="checkbox"/> 3</p> <p>Don't know <input type="checkbox"/> 4</p>																													
<p>Q3 How did you take out your plan?</p> <p>Through an Independent Financial Adviser/Broker <input type="checkbox"/> 1</p> <p>Direct from the provider <input type="checkbox"/> 2</p> <p>Don't know <input type="checkbox"/> 3</p>																													
<p>Q4 How satisfied or dissatisfied are you that:</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%;"></th> <th style="width: 12.5%; text-align: center;">Very satisfied</th> <th style="width: 12.5%; text-align: center;">Fairly satisfied</th> <th style="width: 12.5%; text-align: center;">Fairly dissatisfied</th> <th style="width: 12.5%; text-align: center;">Very dissatisfied</th> </tr> </thead> <tbody> <tr> <td>You received all the information and advice you needed about your plan</td> <td style="text-align: center;"><input type="checkbox"/> 4</td> <td style="text-align: center;"><input type="checkbox"/> 3</td> <td style="text-align: center;"><input type="checkbox"/> 2</td> <td style="text-align: center;"><input type="checkbox"/> 1</td> </tr> <tr> <td>It was the right one for your needs</td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> <tr> <td>It provides good value for money</td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> <tr> <td>It is safe and secure</td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> </tbody> </table>						Very satisfied	Fairly satisfied	Fairly dissatisfied	Very dissatisfied	You received all the information and advice you needed about your plan	<input type="checkbox"/> 4	<input type="checkbox"/> 3	<input type="checkbox"/> 2	<input type="checkbox"/> 1	It was the right one for your needs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	It provides good value for money	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	It is safe and secure	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Very satisfied	Fairly satisfied	Fairly dissatisfied	Very dissatisfied																									
You received all the information and advice you needed about your plan	<input type="checkbox"/> 4	<input type="checkbox"/> 3	<input type="checkbox"/> 2	<input type="checkbox"/> 1																									
It was the right one for your needs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>																									
It provides good value for money	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>																									
It is safe and secure	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>																									

Q5 Who else entered into the plan with you, if anyone?			
Husband/Wife/Partner		<input type="checkbox"/> 1	
Other e.g. Brother/Sister		<input type="checkbox"/> 2	
No one else		<input type="checkbox"/> 3	
Q6 Roughly how much do you think your house was worth when you took out your equity release plan?			
Under £100,000	<input type="checkbox"/> 1	£300,000-£349,999	<input type="checkbox"/> 6
£100,000-£149,999	<input type="checkbox"/> 2	£350,000-£399,999	<input type="checkbox"/> 7
£150,000-£199,999	<input type="checkbox"/> 3	£400,000-£449,999	<input type="checkbox"/> 8
£200,000-£249,999	<input type="checkbox"/> 4	£450,000-£499,999	<input type="checkbox"/> 9
£250,000-£299,999	<input type="checkbox"/> 5	£500,000 or more	<input type="checkbox"/> 10
		Don't know	<input type="checkbox"/> 11
Q7 How much of the value of your home did you originally take out through your plan? Please can you state or estimate this as a percentage.			
.....%			
Q8 Have you ever made changes to your plan, for example by moving house, changing from one equity release company to another, or taking out more money from your home?			
Yes (Go to q 9)		No (Go to q 10)	
<input type="checkbox"/> 1		<input type="checkbox"/> 2	
Q9 Was this:		A bit difficult	
Very easy		<input type="checkbox"/> 3	
Quite easy		Very difficult	
<input type="checkbox"/> 2		<input type="checkbox"/> 4	
Q10a People say hindsight is a wonderful thing, do you think you would, or would not, make the same decision about entering into an equity release plan today, taking into consideration your own experience?			
Definitely would		Probably would not	
<input type="checkbox"/> 1		<input type="checkbox"/> 4	
Probably would		Definitely would not	
<input type="checkbox"/> 2		<input type="checkbox"/> 5	
Might/might not		Don't know	
<input type="checkbox"/> 3		<input type="checkbox"/> 6	
Q10b And why do you say that (write your reasons below)			

Appendix 4.2 - Equity release Questionnaire (Overton, 2009)

Thinking about your own situation...					
Q11a How well would you say you were managing financially <u>before</u> you entered into your plan			11b And what about now?		
Living comfortably	<input type="checkbox"/> 5		Living comfortably	<input type="checkbox"/> 5	
Doing alright	<input type="checkbox"/> 4		Doing alright.....	<input type="checkbox"/> 4	
Just about getting by	<input type="checkbox"/> 3		Just about getting by	<input type="checkbox"/> 3	
Finding it quite difficult	<input type="checkbox"/> 2		Finding it quite difficult	<input type="checkbox"/> 2	
Finding it very difficult	<input type="checkbox"/> 1		Finding it very difficult	<input type="checkbox"/> 1	

Q12 How far do you agree or disagree with the following statements?	Strongly agree	Tend to agree	Neither agree nor disagree	Tend to disagree	Strongly disagree
Taking out an equity release plan was a last resort	<input type="checkbox"/> 5	<input type="checkbox"/> 4	<input type="checkbox"/> 3	<input type="checkbox"/> 2	<input type="checkbox"/> 1
Taking out an equity release scheme has enabled me/us to have a more enjoyable retirement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Q13 Which, if any, of the following are you doing/did you do with the money from your equity release plan? Tick all that apply	
Pay for everyday living expenses/regular bills	<input type="checkbox"/> 1
House maintenance/ repairs	<input type="checkbox"/> 2
House/garden improvements	<input type="checkbox"/> 3
Clear debts including mortgage debt	<input type="checkbox"/> 4
Used it to retire early	<input type="checkbox"/> 5
Investment and saving	<input type="checkbox"/> 6
Pay for health/care needs	<input type="checkbox"/> 7
Help out or treat family/friends	<input type="checkbox"/> 8
Reduce inheritance tax liability	<input type="checkbox"/> 9
Holidays	<input type="checkbox"/> 10
Leisure activities	<input type="checkbox"/> 11
Other (please write in)	<input type="checkbox"/> 12

Q14 Which, if any of the following, comes closest to the reason(s) why you opted for an equity release plan rather than other housing options such as moving to a less expensive home or selling and moving into rented accommodation? (Tick all that apply)	
Moving house would have been too expensive	<input type="checkbox"/> 1
Did not want the upheaval of moving house	<input type="checkbox"/> 2
Did not want to move away from friends/family/local amenities	<input type="checkbox"/> 3
Other (please write in)	<input type="checkbox"/> 4

Appendix 4.2 - Equity release Questionnaire (Overton, 2009)

Your views					
Q15 How important, if at all, is it to you to leave property or money as an inheritance at some point in the future?					
Very important					<input type="checkbox"/> 5
Fairly important					<input type="checkbox"/> 4
Not very important					<input type="checkbox"/> 3
Not at all important					<input type="checkbox"/> 2
No opinion					<input type="checkbox"/> 1
Q16 How far do you agree or disagree with the following statements?					
	Strongly agree	Tend to agree	Neither agree nor disagree	Tend to disagree	Strongly disagree
Investing in property is a better way to make financial provision for retirement than paying into a pension	<input type="checkbox"/> 5	<input type="checkbox"/> 4	<input type="checkbox"/> 3	<input type="checkbox"/> 2	<input type="checkbox"/> 1
Homeowners shouldn't have to use the value of their homes to supplement retirement income	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Q17 Who do you think should mainly be responsible for ensuring people have enough money to live on in retirement?					
Mainly the government					<input type="checkbox"/> 1
Mainly a persons employer					<input type="checkbox"/> 2
Mainly the person themselves					<input type="checkbox"/> 3
Don't know/not sure					<input type="checkbox"/> 4
And finally, a few questions about you and your household					
Q18 Do you, or, if applicable, your partner, receive income from any of the following sources? Tick all that apply.					
Private pension (for example personal or occupational)					<input type="checkbox"/> 1
State pension					<input type="checkbox"/> 2
Pension credit					<input type="checkbox"/> 3
Other social security benefits					<input type="checkbox"/> 4
Savings or investments					<input type="checkbox"/> 5
Don't know					<input type="checkbox"/> 6

Appendix 4.2 - Equity release Questionnaire (Overton, 2009)

<p>Q19 Which of the following represents your overall household income from all sources in the last year, before tax and other deductions. This includes earnings from employment or self-employment, income from benefits and pensions, and income from other sources such as interest from savings or from a pension but <u>NOT</u> income from your equity release scheme. Please tick one box only.</p>			
Under £5,000	<input type="checkbox"/> 1	£20,000 - £24,999	<input type="checkbox"/> 5
£5,000 - £9,999	<input type="checkbox"/> 2	£25,000 - £29,999	<input type="checkbox"/> 6
£10,000 - £14,999	<input type="checkbox"/> 3	£30,000 or more	<input type="checkbox"/> 7
£15,000 - £19,999	<input type="checkbox"/> 4		
<p>Q 20 Do you have children? Yes (Go to q 21) <input type="checkbox"/> 1 No (Go to q 22) <input type="checkbox"/> 2</p>			
<p>Q21 Would you say that your child/children are currently:</p> <p>Living comfortably <input type="checkbox"/> 5</p> <p>Doing alright <input type="checkbox"/> 4</p> <p>Just about getting by <input type="checkbox"/> 3</p> <p>Finding it quite difficult <input type="checkbox"/> 2</p> <p>Finding it very difficult <input type="checkbox"/> 1</p>			
<p>Q22 How would you describe your current working status?</p> <p>Working in paid employment (full or part-time) <input type="checkbox"/> 1</p> <p>Retired from paid work altogether <input type="checkbox"/> 2</p> <p>Other (please write in) <input type="checkbox"/> 3</p>			
<p>Q23 What is/was your main occupation?</p>			
<p>Q24 How would you describe your current legal marital status?</p> <p>Married / in a civil partnership <input type="checkbox"/> 1 Widowed <input type="checkbox"/> 4</p> <p>Cohabiting <input type="checkbox"/> 2 Single (never been married) <input type="checkbox"/> 5</p> <p>Separated / divorced <input type="checkbox"/> 3</p>			
<p>Q25 What was your age last birthday?Yrs</p>			
<p>Q26 What age were you when you took out your equity release plan?Yrs</p>			
<p>Q27 Are you Male <input type="checkbox"/> 1 Female? <input type="checkbox"/> 2</p>			

Appendix 4.2 - Equity release Questionnaire (Overton, 2009)

Q28 Is there anything else you would like to tell us about your plan?

Thank you very much for taking the time to complete this questionnaire. You will not be personally identified from any of the information you have given and all information provided will be kept in accordance with data protection legislation. Please put your completed questionnaire in the stamped addressed envelope provided and post it off as soon as you can.

Finally, we may be carrying out further research into people's views and experiences associated with equity release. If you would be willing to take part in this please tick the box below and fill in your name and address.

I am willing to be contacted for interview in the future ☐

Name:

Address:

Telephone no. (inc area code) / Mobile
no.

e-mail address:

Appendix 4.3 Equity release questionnaire (Davey, 1995)

INTRODUCTION

Please answer the questions by writing in the appropriate spaces or ticking the boxes. We would like to have your comments, so please add them, or write more on the back of the sheets.

Part A.

Firstly, we would like to know something about the equity release scheme which you have taken up, how it is working and how you feel about it.

1. How did you first become aware of the existence of equity release schemes?

.....
.....

2. What made you decide to go into an equity release scheme yourself?

.....
.....

3. Did you consider any other ways of supplementing your income (e.g. selling assets, taking in tenants)? If so, what did you consider?

.....
.....

4. Did you consider any other housing options (e.g. moving to a smaller house or sheltered accommodation)? If so, what did you consider?

.....
.....

5. Which company is your equity release scheme from?

.....

6. What type of scheme is it?

Home income plan (mortgage/annuity scheme)
Part sale reversion scheme
Full sale reversion scheme
Other (please describe)

7. Why did you choose this particular scheme?

.....
.....

8. Why did you use [REDACTED] as your independent financial advisers in arranging the scheme?

.....
.....

9. How do you feel about [REDACTED] assistance in arranging your scheme?

Very satisfied
Fairly satisfied
Neutral/don't know
Not very satisfied
Not at all satisfied

10. What are you using the extra income for (either the annuity income, the lump sum, or the income from lump sum invested)?

.....
.....

11. How would you sum up the effect that being in the equity release scheme has had on your lifestyle?

.....

12. How would you sum up your present feelings about the equity release scheme you are in?

- Very satisfied
- Fairly satisfied
- Not very satisfied
- Not at all satisfied
- Don't know

13. What are the best features of the scheme?

.....

.....

14. What are the worst features of the scheme?

.....

.....

15. What would your advice be to people considering an equity release plan?

.....

.....

Part B.

As you will appreciate, the effect of being in an equity release plan is to reduce the amount of capital in your home which you might have passed on through your estate . So we would like to ask you how you feel about this.

16. Do you think it should be a family decision what happens to the property and wealth which people accumulate in their lives?

.....

.....

17. Do you expect to bequeath assets or property at the end of your life? Please comment on your answer.

.....

.....

18. Who do you intend to bequeath your property to?

.....

19. What are the most important factors you are taking into account in deciding how you will bequeath your property?

.....

.....

20. How important to you is providing an inheritance for your children, grand-children or other relatives?

No importance
Little importance
Neutral/don't know
Some importance
Very important

Part C.

We would like to know what kind of people take out equity release plans and how they compare to other older home owners.

21. What type of house are you living in? (e.g. semi-detached, detached house, bungalow, flat)

.....

.....

22. How many bedrooms does it have?

.....

23. How much do you think your house would sell for if you were to put it on the market now?

.....

24. Who lives with you in your house? (for example husband/wife; son/daughter, no-one – widowed)

.....

25. What was your occupation before retirement?

.....

26. How many sons and daughters do you have? (include sons and daughters from both partners if you are in a second or subsequent marriage)

..... sons

..... daughters

..... no children

27. How much contact do you have with your children or other close relatives?

Frequent, almost daily

Several times a month

About once a month

Less than once a month

Very infrequent

No contact

28. Did you discuss the equity release application with **any** of your children at the time?

No, not to any

Not to all

Yes

29. What sources of income do you have? (tick all those which are appropriate)

State retirement pension or widows pension

Income support

Disability, Invalid or Sickness benefit

Other benefits

Occupational pension (from employment)

Income from savings

Other annuities (not home income plan)

Assistance from family or relatives

Rent from property

Earnings from employment

Other

30. Please estimate your net weekly net income from all sources (after tax)

Under £55

- £55-99
- £100-199
- £200-299
- £300 or over

31. Please estimate your total savings

- Under £3,000
- Between £3,000 and £8,000
- More than £8,000

32. Do you have any concerns about your income for the future? Please Comment

.....

.....

33. Finally, **subject to further specific permission**, would you be prepared to talk to the press about your plan?

- Yes, with a photograph
- Yes, but only on a no-name, no-photograph basis
- No, not at all

Thank you very much for your time and interest in completing this questionnaire. We assure you that none of the information you give will appear in any form whereby you could be personally identified, **unless you specifically give your permission.**

Please place the completed form in the enclosed self-addressed envelope and post it off as soon as possible

Appendix 4.4 Information letter for equity release providers

Dear SHIP member,

RE Equity release survey

I am writing to ask for your assistance with a research project being carried out at the University of Birmingham exploring the role of equity release in later life. The study is supported by Age Concern and Help the Aged and will involve a survey examining the views and experiences of people who have taken out equity release plans and their reasons for doing so.

The results of this survey will provide information on what kinds of older people take out equity release plans and why, and it will also provide information on their experiences with the plan (please see enclosed questionnaire for more detail).

Although you may already conduct this kind of research, this independent survey could provide a unique opportunity to obtain information across a wide range of equity release providers. I should stress, however, that individual providers will not be named.

We are now looking for companies who would be prepared to provide a sample. We will be contacting a number of providers but very much hope you will consider taking part. My contact details are listed below.

Thank you for taking the time to read this letter and thank you in advance for your support.

Yours Faithfully

Louise Overton

Jane Vass
Financial Services Policy Adviser
Age UK

Contact details

Appendix 4.5 Covering letter for questionnaire

Dear Sir/Madam,

Ref no.

RE Housing and finance in later life

I am writing to invite you to take part in a study about housing and finance in later life which is being carried out at the University of Birmingham. The study is supported by Age UK (formerly Age Concern and Help the Aged) and aims to explore the views and experiences of people who have taken out equity release plans and their reasons for doing so.

Your provider (to be changed to name of company as appropriate) has sent you this letter on my behalf and so your name and address details have not been passed to me or any other party.

Please rest assured that your responses to this independent survey will remain confidential and individual responses will not be passed back to your provider. It will not be possible to identify you from the answers you provide and all information will be kept in accordance with current Data Protection legislation. If you have any questions or queries please feel free to contact the Institute of Applied Social Studies on xxxxxx .

We very much hope that you agree to take part in this research. The information you provide will play an important part in helping us to understand what role equity release products play and how people feel about them. If you would like a summary of the findings from this survey then please contact me at the address below.

Once you have completed the questionnaire please return it to the University of Birmingham using the enclosed pre-paid envelope - you do not need a stamp.

If you decide you would like to withdraw the information you have given then you can do so up to one month from the date when you returned your survey by calling xxxxx and quoting the reference number at the top of this letter.

Thank you in advance for your contribution to this study.

Yours faithfully

Louise Overton

Contact details

Appendix 4.6 Interview Guide

Introduction

Thank participant for agreeing to be interviewed.

Explain purpose of interview: Survey findings were very interesting and we wish to explore some of their answers in a bit more detail.

Explain what the information will be used for.

State confidentiality and ask permission for interview to be recorded.

Ask participant if they have any questions.

Section 1 Background

What prompted your decision to take out an equity release plan?

Financial circumstances

Pensions – type, sufficiency for meeting income needs/preferences

Savings/investments

Work history

Personal Circumstances

Children

Marital status

Section 2 About the equity release plan

How did you find out about equity release?

Financial advice

Did you seek advice from an IFA or go straight to the provider?

How do you feel about the information and advice you were given? (Satisfied, dissatisfied, why?)

Type

Why LM or HR?

Plan changes

Borrowed any more money?

Changed company?

Moved house?

Ease/difficulty of doing these?

Section 3 The money from equity release

Income, Lump sum or both?

Use of money

What – in more detail

Would you say you spent most of it on X, Y or Z?

Is there anything else you have spent the money on?

Impact on living standards

How would you describe the impact that the money has had on your standard of living?

How do you think you would manage/would have managed without the money?

Alternative strategies for raising the money

Trading down?

Traditional loan?

Using savings?

Section 4 Attitudes

Use of housing assets to fund retirement

How do you feel about using the value of your home to help fund retirement?

How do you see your house? (e.g. as an asset, shelter, something to pass on)

How do you view housing assets compared with other types such as savings and investments?

Inheritance

How do you feel about the fact that your equity release plan reduces the size of your estate?

Section 5 Role of government and financial services industry

Finally, I'd like to ask you about your views on the role of government and the financial services industry in relation to equity release.

What, if anything, do think government could or should do to help older home owners draw on their housing equity?

Information/advice/publicity on equity release?

Some sort of subsidy?

Provide equity release schemes?

Regulation?

And what about the equity release companies?

End of interview

Thank participant. Ask if they have any questions or comments.

Appendix 4.7 Information letter for participants taking part in follow-up interviews

Ref no.

Dear xxx

RE Housing and finance in later life interview

Last year you very kindly completed our equity release survey and indicated that you would be willing to take part in an interview as part of our study exploring the views and experiences of people who have taken out equity release plans.

We are now at a stage where we are able to carry out these interviews and very much hope you would still like to take part. The interviewee will be by telephone. You will be contacted shortly to arrange a date and time that is convenient to you. Please rest assured that your responses will remain confidential and that it will not be possible to identify you from the information you provide. All information will be kept in accordance with current Data Protection legislation. You can withdraw any information you have given up to one month after the interview has taken place if you choose to by calling the number below.

If you no longer wish to take part in this interview or if you have any other queries then please contact me on the telephone number below quoting the reference number at the top of this letter.

Thank you once again

Yours faithfully,

Louise Overton

University of Birmingham

Contact details

Appendix 4.8 Index for qualitative analysis

1 Financial circumstances

- 1.1 Work
- 1.2 Savings
- 1.3 Income/pensions
- 1.4 Current financial situation
- 1.5 Other

2 Personal circumstances/Family

- 2.1 Marital status
- 2.2 Children/Children's circumstances
- 2.3 Relationship with children/grandchildren
- 2.4 Health
- 2.5 Other

3 Plan details

- 3.1 Why Lm or HR?
- 3.2 Where hear/find out about equity release
- 3.5 IFA or provider
- 3.6 Plan changes

Role of equity release/why equity release?

- 4.1 Specific uses
- 4.2 General purpose e.g. To maintain living standards, to get out of a difficult financial situation, make the most of the value of the house.
- 4.3 Why equity release not move/take traditional loan
- 4.4 Impact of plan on standard of living
- 4.5 Other

Housing assets

- 5.1 Feelings about/views on using the value of the home
- 5.2 Feelings about/attitudes towards equity release reducing size of estate/inheritance

5.3 Children's feelings/reaction to parents taking out equity release

5.4 Importance of children's feelings/views on the matter

6 Role of government

6.1 Information/regulation/provision

6.2 Non-interference/no role

6.3 Other

7 Companies/Products

7.1 Satisfaction

7.2 Dissatisfaction

7.3 Other comments

8 Other key issues

8.1 Financial capability

Appendix 6.0 TwoStep Cluster Analysis

How it works

The SPSS TwoStep Cluster Analysis procedure is one of a number of methods that can be used for grouping cases (i.e. participants) based on the similarity of their responses to different questions. It requires only one pass of data and is therefore useful for larger data sets. The first step in the procedure involves the preclustering of cases based on the Log-likelihood distance measure (the Euclidean distance can be used as an alternative but only if all variables are continuous). Cases are assigned to the cluster that leads to the largest Log-likelihood. As a case is read, the algorithm decides if it should be combined with a previously formed pre-cluster or be used to start a new one (Norusis, 2011). When this first step is complete, all cases within the same precluster are treated as a single entity (Norusis, 2011).

In the second step, the preclusters are grouped using an agglomerative (rather than divisive) clustering algorithm and it is possible for SPSS to automatically select the number of clusters. The Bayesian Information Criterion (BIC) or Akaike Information Criterion (AIC) can be used for deciding the optimal number of clusters. However, the BIC is the default option and this was used in the procedure for this study. The solution is found by examining the point at which the BIC is small and the change in BIC between adjacent number of clusters is small (Norusis, 2011). For this thesis, a classification of participants was sought based on the purpose for which equity release products were used. The algorithm selected three clusters. Further analysis of the clusters showed that they were consistent with exploratory analysis and other research, as discussed below.

Assessing the cluster solution

The size of the clusters is often a consideration when assessing the solution. As Norusis (2011) states, *'usually, you do not want too many small clusters'* (p.383). As shown in Chapter 6, the largest cluster contained 46 per cent of clustered cases and the smallest contained 24 per cent.

A report by the UK trade body for equity release (SHIP) was also drawn on to assess the categorisation. Based on trends in product purchases and changes in demography, shifts in attitudes and the impact of the recession on pensioner incomes, SHIP (2009a) have produced a hypothetical categorisation of the equity release market (see the table below). They suggest that it can be divided into one of six groups (SHIP, 2009a) which is twice the number produced by the cluster analysis for this thesis. However, the purpose for which participants used equity release products seemed very similar, if not identical, to those identified by SHIP (2009a). Furthermore, there is very little difference between some of the categories identified. Indeed, categories 2 and 3 in the table below match Cluster 3 in the solution presented in Chapter 6 (see p. 182). Category 4 matches Cluster 2 and categories 5 and 6 are very similar to Cluster 1. As so few participants had used the products to pay for care, this variable was not included in the analysis. Overall, then, the categorisation identified by the TwoStep procedure provides a useful fit with the data.

	Hypothetical classification of equity release customers
1	Using equity release to fund care at home.
2	Low income and possibly in debt. Necessity and “last resort” purchase.
3	Low income and no other meaningful assets. Living costs becoming a burden.
4	Newly retired, adequate pension income and reasonable assets. Maintaining standard of living.
5	Approaching or in retirement with good pension income and range of assets. Financially comfortable and capable. Improving lifestyle, aspirational purchase.
6	High income, large asset portfolio. Strategic use for equity release e.g. tax and estate planning.

Source: Adapted from SHIP (2009a)