Policy Position Paper

# Using Housing Wealth

(Region varies)

November 2018

**Housing wealth can be a valuable means of financial provision in retirement but it is not available to all and it is not an alternative to an adequate pension income.**

## Homeownership and property wealth

Nearly four-fifths (78 per cent) of householders aged 65 and over in England own their properties, and most of these (73 per cent) do not have a mortgage.[i] However, in Great Britain, in 2014-16, around a fifth (21 per cent) of people aged 65+ lived in households with no property wealth, and for those with wealth, values vary considerably: 13 per cent of those 65+ lived in households with property worth less than £125,500. On the other hand one in eight (12 per cent) of people aged 65+ lived in households with more than £500,000 in property wealth and a further 7 per cent in households with between £375,000 and £500,000 property wealth.[ii]

## Releasing equity from the home

Equity can be released by moving to a less expensive, often smaller, property – sometimes described as ‘downsizing’ – or through schemes such as lifetime mortgages and home reversions where people continue to live in their home but release equity by taking out a loan or by selling part or all of the property to a reversion company.

Analysis by the Institute of Fiscal Studies (IFS) suggests that around 40 per cent of people in England who own their home at age 50, will move home during their lifetime.[iii]

The most common reasons are to move to a more suitable home, to move closer to family and friends, and, particularly for those aged 80+, for health reasons. Less than 10 per cent of those who moved gave financial reasons as the main motive for moving, although around two-thirds released some equity as a result – the median amount people reported they had released was £14,000.[iv] People may want to move to a smaller, more manageable property that better suits their needs as they grow older. However, it may be difficult to find suitable accommodation in an area where people want to live and where they continue to have access to friends, family and services. And for some the whole process and cost of moving may be a deterrent.

## Key statistics

**21%**

of people aged 65+ live in households with no housing wealth.

**19%**

of people aged 65+ live in households with £375,000 or more housing wealth.

**£1 billion**

of wealth released by homeowners aged 55+ in the second quarter of 2018.

## Equity release products

The commercial market for equity release products remains relatively small but continues to increase. The Equity Release Council reported that nearly a billion pounds of housing wealth was released by homeowners over the age of 55 in the second quarter of 2018, and that in 2017 equity release attracted twice as many new customers as it did five years ago.[v]

Many older people are reluctant to use their housing wealth in this way. People may be concerned about limiting their options to move or pay for care in the future, they may want to protect their children’s inheritance, simply not like the idea of a debt on their property, or be unsure how to go about choosing a product. However, for older people with consumer debts or an unpaid interest-only mortgage that their lender will not extend it may be a solution. It is vital that people in this position get specialist advice looking at all their options.

Although products are now regulated, older people may still be deterred due to mis-selling scandals in the past. They may also be deterred by the costs as set-up costs can seem high. For some the interaction with means-tested benefits may also be a barrier although in practice it is often possible to release equity without this affecting benefits.

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## Not everyone can draw on housing wealth

As seen above, while many older people own their own home and may have other assets, there is great inequality. There is also a relationship between household income and wealth so overall, those with the lowest resources who may be in greatest need of additional support are less likely to have high levels of housing wealth on which they are able to draw.

Therefore, while housing wealth can be a valuable means of financial provision in retirement it is not available to all, and is not an alternative to an adequate pension income. For those who have the potential to release equity, the advantages and disadvantages need to be carefully considered.

**Downsizing**

'I worry about finances, because I live in an old house and it could be a money pit if we're not careful, so we're thinking about we might have to downsize and that's going to be so difficult, it's going to be exhausting… I don't know if I want to live in a flat, just because you need elbow room.'

*Participant in Age UK's Financial Resilience project.*

## Using your property to pay for state support

In some cases public support is provided through a loan on your home, and there has been debate about whether this should be extended. Examples are:

- From April 2018 the Government no longer provides help with interest on mortgages and loans for essential repairs as part of Pension Credit and other income-related benefits. Instead people are offered a loan secured on the property which, along with interest built up, will need to be repaid when the property is sold.
- Local authorities have the power (but not the duty) to provide help with costs such as property repairs and adaptations through the 'housing renewal assistance scheme'. This can be provided through a loan.
- If someone is living in a care home, their former home is, with some exceptions, included in the means test for care home charges. In some circumstances, people can choose to have a 'deferred payment' which means that they do not need to sell their former home and instead agree to a loan against the property, with interest, which can last until death.
- Someone's home is not included as capital in the means test for care at home, although this exemption has been criticised.

Having a loan against your home means that you can get support without needing to sell it. However, this will reduce your housing wealth which could restrict your choices (or your partner's choices) in the future, for example if you wanted to move to a more suitable home. If the value of people's homes is included in an assessment for public support such as charges for care at home then this may deter people from seeking the help they need. It is important that people have help to consider the implications of taking out a loan and any other options available.

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# Public Policy Proposals

- There should be a wider range of affordable housing options available to those who wish to move in order to release equity and/or find a home that better suits their needs as they age.
- Older people should have access to independent housing and specialist financial advice to help them assess the suitability of equity release, explore the range of alternatives and to consider the longer term financial implications. Some people will also need practical help in moving home.
- People for whom equity release is suitable should have access to a range of well-designed, competitive products. Industry and regulators should ensure that contract terms are fair, plans are flexible and all costs are transparent and easy to understand.
- The root causes of debt in later life should be tackled, and older people should not be pushed into equity release because mortgages or other forms of credit are not available.
- There should be independent information and guidance available covering financial matters and housing options for those having to decide whether to take out a loan secured on their property in order to cover mortgage interest payments or other essential costs.
- Age UK does not support proposals to include the home where someone lives in the means test for care at home, because it reduces the incentive to seek support at home and could limit future options.

# Want to find out more?

**Age UK has agreed policy positions on a wide range of public policy issues. Our policies cover money matters, health and wellbeing, care and support, housing and communities. There are also some crosscutting themes, such as age equality and human rights, age-friendly government and information and advice.**

### Further information

You can read our policy positions here;
**www.ageuk.org.uk/ our-impact/ policy-research/policypositions/**
Individuals can contact us for information or advice here;
**www.ageuk.org.uk/informationadvice/**
call us on **0800 169 8787**

**Further information**

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[i] https://www.gov.uk/government/statistics/english-housing-survey-2016-to-2017-headline-report
[ii] https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/datasets/propertywealthwealthingreatbritain
[iii] https://www.ifs.org.uk/uploads/publications/bns/BN239.pdf
[iv] https://www.ifs.org.uk/publications/12956
[v] http://www.equityreleasecouncil.com/document-library/equity-release-market-report-spring-2017/