

THE HOME STRETCH: PROPERTY AS RETIREMENT INCOME

PENSIONS AND
LIFETIME SAVINGS
ASSOCIATION

RETIREMENT IS CHANGING. TODAY PEOPLE WORK LATER IN LIFE, FUNDING THEIR RETIREMENT THROUGH SEVERAL SOURCES. FOR YEARS, IT'S BEEN SAID A 'HOUSE IS NOT JUST A HOME' BUT FOR MANY ALSO PART OF THEIR PENSION: WE INVESTIGATED HOW TRUE THIS WAS FOR UK PEOPLE AGED 35-85.

UK HOME OWNERSHIP

Between 1991 and 2014, home ownership amongst those aged 35-44 fell by a fifth and the resulting increase in private renting has given rise to the term 'generation rent'. At the same time, around 1 in 3 UK households own their home outright: largely amongst the over 65's, with 65% now owning their homes outright.

AGED 35-54

55+ (NOT RETIRED)

55+ (RETIRED)

YOUNGER PEOPLE ARE LESS LIKELY TO OWN THEIR OWN HOME. WHERE THEY DO, THEY ARE LIKELY TO OWN LESS EQUITY



OWN WITH
A MORTGAGE



OWN
OUTRIGHT

Average value: £270K
Average equity: £180K



OWN WITH
A MORTGAGE

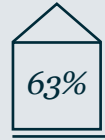


OWN
OUTRIGHT

Average value: £260K
Average equity: £210K



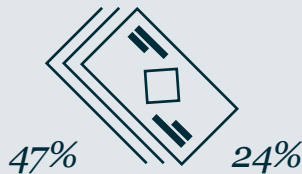
OWN WITH
A MORTGAGE



OWN
OUTRIGHT

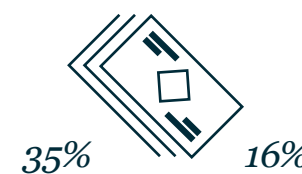
Average value: £340K
Average equity: £310K

YOUNGER PEOPLE ARE MORE LIKELY TO RELY ON PROPERTY TO PROVIDE THEIR RETIREMENT INCOME



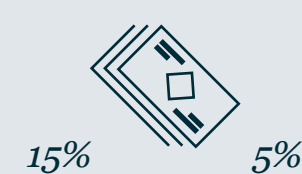
PLAN TO USE
PROPERTY AS
RETIREMENT
INCOME

THINK IT
WILL BE A
MAIN SOURCE
OF INCOME



PLAN TO USE
PROPERTY AS
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USE
PROPERTY AS
RETIREMENT
INCOME

SAY IT IS
A MAIN
SOURCE
OF INCOME

OLDER PEOPLE ARE MORE ATTACHED TO THEIR HOME THAN YOUNGER PEOPLE AND LESS LIKELY TO SEE IT AS AN INCOME SOURCE



AGREE
my house
is my
pension

61% agree my home is to
live in, not an investment



AGREE
my house
is my
pension

72% agree my home is to
live in, not an investment



AGREE
my house
is my
pension

84% agree my home is to
live in, not an investment

13%
of non-retired home
owners with a mortgage
don't think they'll pay
it off before
they retire

23%
of 35-54 year olds
who plan to use property
to finance retirement,
don't currently
own any

59%
of retired people
who used property
felt it was as effective
(or more so) than
expected

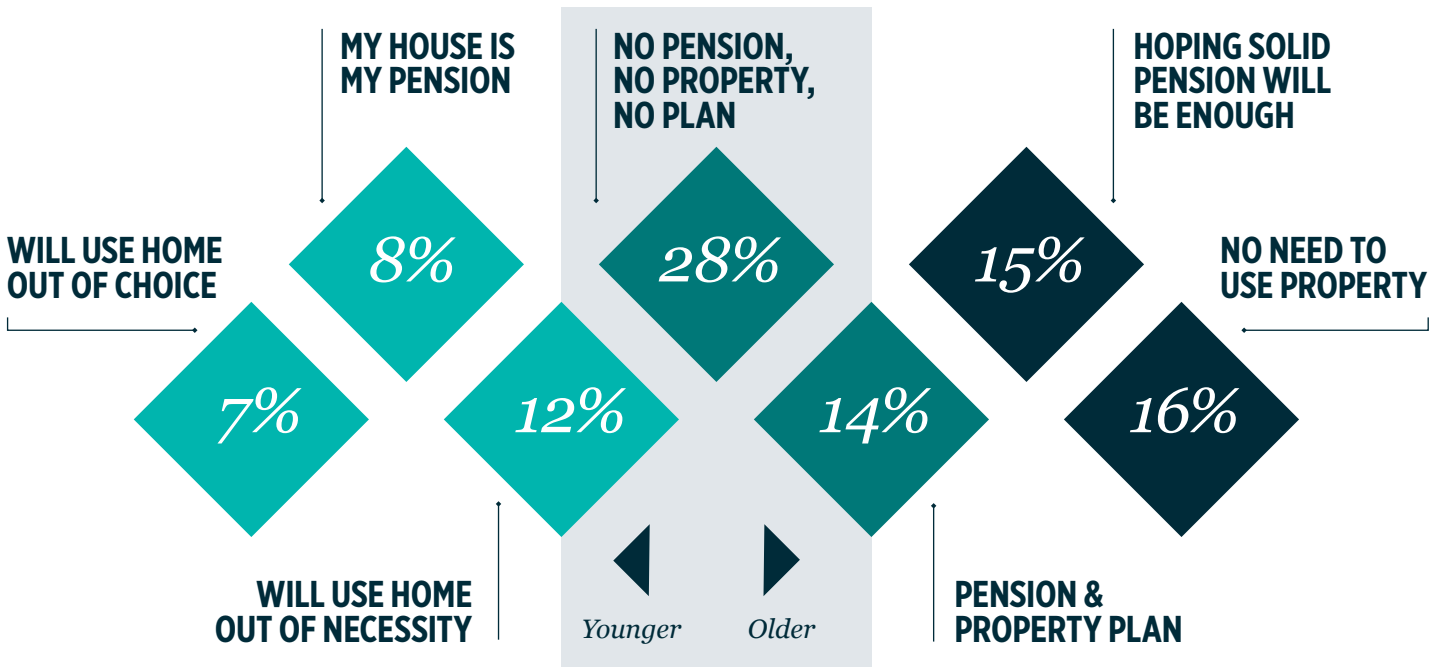
**THERE IS A CLEAR
GENERATIONAL DIVIDE:
35-54 YEAR OLDS ARE
EXPECTING TO USE PROPERTY
MORE THAN CURRENT RETIREES**

This is even though they are less likely to own property and own less equity in the ones they do. Of those aged 35-54 intending to use property in retirement, 23% don't own one yet. This casts doubts over the viability of this group's plans to use property to finance their retirement. This is all the more true if they are going to get on the housing ladder later and enter retirement with a mortgage.

A PROFILE OF PROPERTY USE

TO MAKE SENSE OF THE GENERATIONAL, DEMOGRAPHIC & REGIONAL DIFFERENCES WE CARRIED OUT A SEGMENTATION OF THE DATA.

PENSIONS AND LIFETIME SAVINGS ASSOCIATION



SELECTED PORTRAITS OF PROPERTY USE

WILL USE HOME OUT OF CHOICE

OCCUPATION: BANKER
AGE: 35
GENDER: MALE



Chris lives in London and has a substantial salary. He missed out on a DB pension but has a significant DC pot and a very clear idea of how he will finance retirement. He already owns a home and is considering buying a second property to let out as a source of income. He expects property to be a primary source of retirement income.

PENSION AND PROPERTY PLAN

OCCUPATION: ACCOUNTANT
AGE: 55
GENDER: MALE



On the verge of retiring, John has a plan to use his mix of solid financial assets (including pensions and other savings) as well as his property to provide him with a comfortable retirement. He feels that he is comfortable in life now and intends to maintain this in retirement. At some point he thinks he'll either downsize his current property or sell all together and move into rented accommodation.

MY HOUSE IS MY PENSION

OCCUPATION: PART-TIME ADMINISTRATOR
AGE: 40
GENDER: FEMALE



Sarah does not know how she will finance her retirement, but seeing as her only asset is her house (she has little to no savings) she sees it as an investment she can use to retire. Her focus is paying off the mortgage, in the hope that she will not need to save as much for retirement.

NO NEED TO USE PROPERTY

OCCUPATION: RETIRED, PREVIOUSLY MANAGER
AGE: OVER 65
GENDER: MALE



David had a solid income before he retired and was able to afford luxuries. His finances are in order and he has maintained his lifestyle into retirement. He has a good DB pension as well as a variety of other assets; this means that he just does not need to use property to ensure he lives comfortably.

If you have any questions about the research, please contact research@plsa.co.uk

We commissioned DJS Research to conduct research with 35–85 year olds in the UK looking at how they currently or intend to use property in their retirement. These findings are from a survey of 1,650 people. All analysis has been conducted on an individual rather than household level.

