

# Why equity release is resilient and housing wealth will play a growing, essential part of future retirement planning



**For many people, 2023 was a year of negotiating the cost of higher interest rates and economic uncertainty, while feeling the impact of inflation on everyday living costs. As a result, consumers are sensibly choosing to be much more considered about how they access the equity tied up in their property.**

According to the Equity Release Council, equity release loan advances were down in 2023, with lending figures falling to **£2.6bn**. This contrasts heavily with a record-breaking year in 2022, where lending figures of **£6.2bn** indicated that equity release was entering the mainstream of later life financial planning.

Despite the recent lower value of lending in 2023, we expect later life lending to be a key growth area due to the growing customer need to access equity tied up in their properties.



The recent PLSA Retirement Living Standards estimates that **£31,000 a year is needed to fund a moderate retirement for a single person**, whereas on average **women retire with pension savings of £69,000**, compared to **£205,000 for men**, which also clearly evidences the growing pension gap.

The reality is that for many, the current high cost of living is reducing the amount they can save in retirement. And, with Savills reporting that **over 50s hold 78% of the UK's privately held housing wealth**, equating to almost £5 trillion, this shows that there is huge opportunity for the later life lending sector.

However, higher rates have forced many prospective borrowers to reconsider or postpone their plans. Our Wealth and Wellbeing Research Programme showed that out of those surveyed who would consider a lifetime mortgage, **47% said that they would wait until interest rates improved before getting one**.

Therefore, even though people are more cautious to release equity in the current economic landscape, with inflation falling towards the government's 2% target, coupled with the growing customer need to access the equity tied up in their homes, we believe this is a more short-term factor. As such, confidence in the equity release sector is expected to re-bounce and form an integral part of future retirement planning.

#### Sources:

Equity Release Council – [Q4 and FY 2023 equity release market statistics](#)

Pension and Lifetime Savings Association – [Picture Your Future Retirement Living Standards](#)

Now: Pensions, 7 February 2024 – [The 2024 gender pensions gap report](#)

Savills – [Housing wealth held by over 65s hits record high of over £2.6 trillion, according to research by Savills](#)

LV= Wealth and Wellbeing Research Programme (December 2023)

To help cement customer adoption of equity release as an essential part of their later life financial planning, lifetime mortgage products will increasingly need to be adaptable to the challenge of different and changing customer circumstances and needs. That's why we have recently launched our new Lifetime Mortgage Lifestyle range, to provide more choice for people to achieve their later life goals.

We recognise that throughout later life circumstances can, and often do, change so our Lifetime Mortgage products are designed with flexibility in mind. Fixed early repayment charges (ERCs), combined with our unique ERC structure (which calculates the ERC term from the initial date of loan completion), allows the flexibility for customers to manage the roll-up of interest. Plus, the option of inheritance protection can provide additional piece of mind for those keen to leave an inheritance.

By offering Lifetime Mortgage products that provide flexibility, customers can be confident that equity release offers a suitable solution in helping to achieve their short and long-term financial goals. And, with a significant gap between pension income and the amount required in savings for a desirable later life lifestyle, it would make sense for advisers to consider housing wealth as part of future retirement planning.

**It's for these reasons that LV= has been a committed lifetime mortgage lender since 2002 and continues to have confidence in the future of equity release in supporting customers to achieve their later life financial ambitions.**

**Patrick Oldham,**

**Head of LV= Equity Release Proposition**

**For more information visit**



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