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CAUTIOUSLY OPTIMISTIC? UK HOUSEHOLDS' PERCEPTIONS OF OLD AGE, RETIREMENT AND THE ROLE OF HOUSING EQUITY

Abstract. *The paper explores UK home owners' expectations of income and care in older age and their views on using housing equity. Findings suggest a lack of confidence in the ability of the state to provide adequate retirement income and care. Most households were confident that they could build sufficient savings and assets to meet their needs. Younger respondents were more willing to consider drawing on housing equity than older people, however, they too were suspicious of equity release products. Overall, people tended to favour downsizing over other options as they wished to retain a property to bequeath to their children.*
Keywords: *Home owners, old age, care, income, housing equity, inheritance.*

Introduction

Home ownership in the UK

Home ownership has grown steadily, although not evenly, over the last century in the UK to a position where it is now the majority tenure, with 70 per cent of households now being owner-occupiers. Although the 1990s recession decreased consumer preferences for homeownership slightly, it quickly recovered and by 2005, it was over 80 per cent (Stephens et al., 2008). Following more than a decade of boom, the UK housing market has recently experienced a period of bust with an average annual fall in house prices of 16 per cent in 2008. Nevertheless, housing wealth remains a considerable potential resource for homeowners, particularly those over the age of 65, the majority of whom (64%) are outright owners. Estimates suggest that there is more than £1 trillion (€1.15 trillion) of equity in the homes of people aged over 65. Whilst some studies have suggested that attitudes towards inheritance are changing and that there is a greater willingness to use assets, including housing equity, during a person's lifetime (Rowlingson, 2005a) to date,

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only one per cent of pensioners hold equity release products. Although the UK has the most developed equity release industry in the EU, it is one that has been built around a strong recognition that it is a product area where there has been past abuse and where, without appropriate safeguards, there are serious risks to borrowers and lenders. Research suggests that there is widespread mistrust of such products and financial institutions (Croucher and Rhodes, 2006; Rowlingson, 2005a; Williams, 2005).

The ageing population

Over the last 25 years, the percentage of the population aged 65 and over increased from 15 per cent in 1983 to 16 per cent in 2008, and by 2033, almost a quarter (23%) of the population will be aged 65 and over. The fastest population increase has been in the number of those aged 85 and over, the 'oldest old' (Office for National Statistics, 2009). Although the UK population is not ageing as rapidly as populations in the other European countries included in the DEMHOW study (see Table 1) the implications of an ageing population in terms of the increased demand for health and social services, and, in particular, for pensions, have been matters of concern in the UK for decades[1] (Bennington and Taylor, 1993).

Table 1: SHARE OF THE TOTAL POPULATION AGED 65 YEARS OR OVER, FOR SELECTED YEARS IN THE EIGHT DEMHOW COUNTRIES

%	2010	2020	2030	2040	2050	2060
Slovenia	16.62	20.42	25.29	20.08	32.50	33.44
Germany	20.57	22.79	27.61	31.06	31.71	32.47
Hungary	16.61	19.82	21.95	24.96	29.35	31.93
Portugal	17.79	20.08	23.25	26.83	30.12	30.85
Finland	17.06	22.41	25.52	26.21	26.81	27.82
Belgium	17.22	19.51	22.87	25.03	25.70	26.52
Netherlands	15.33	19.80	24.10	26.89	26.65	27.25
UK	16.38	18.29	20.55	22.45	22.95	24.74

Source: Giannakouris (2008)

The UK pension system

The UK state pension[2] age is currently 65 for men and 60 for women. The EU requirement for equalisation will lead to the women's retirement

[1] *See for example the Social Security Committee Fifth Report available on: http://www.publications.parliament.uk/pa/cm199900/cmselect/cmsocsec/56/5605.htm*

[2] *Although earnings do not affect the amount of state pension people receive, the pension counts as income for tax purposes.*

age (the age they can claim their state pension) rising to 65 between 2010 and 2020 and, as part of the government's response to the ageing population, the unified retirement age will gradually increase from 65 to 68 by 2046 (DWP, 2006). On reaching the state pension[3] age, people have three choices with regard to employment and claiming the state pension. Firstly, they can carry on working and claim the state pension. Secondly, they can retire from work and claim their state pension. Thirdly, people can delay claiming the state pension for a while to get either extra state pension or a one-off taxable lump-sum payment when they do finally claim, whether they carry on working or not[4]. For people with company or personal pensions the situation is different. Employees are currently eligible to take their company or personal pension from the age of 55 (the minimum age increased from 50 in 2010). Under the Employment Equality (Age) Regulations 2006, employees have the right to request to continue working beyond 65, on an indefinite basis, for a defined period, or until a specified date.

A recent review (Age Concern, 2008) found that 63 per cent of pensioners received at least half of their income from the state pension and benefits. In spite of the government's intention to encourage greater private pension provision for retirement, private pension scheme membership has gradually declined over recent years (Harrop and Joplin, 2009). The reasons for this decline and the general lack of confidence in the pension market are complex but are thought to include mistrust following the mis-selling of personal pensions, poor performance of pension funds, the closure of a number of final salary schemes by many large organisations as well as ignorance and apathy (Harrison et al., 2006). Studies have found that UK householders place more trust in saving via property purchases than pensions. In one study, 61 per cent of a sample of over 2,000 people stated that bricks and mortar were a better way of making financial provision for retirement than investing in a pension (Rowlingson, 2005b).

Care in older age

The UK has a system of universal health care that is available free at the point of service. The National Health Service pays for health care for people assessed as eligible in any setting, including nursing homes or people's own homes. Local authorities are responsible for providing personal or social care (non-nursing care). It is up to the local authority to decide whether

[3] The state pension is paid for on a pay-as-you-go basis through National Insurance contributions and general taxation. It is a flat rate contributory scheme, compulsory for those in employment and entitlement depends on years of contribution based on earnings (or credits if an individual has a caring role).

[4] Employment rates for those over State Pension age (SPA) have risen in recent years and it is estimated that around 8% of women and 9% of men of SPA and older (about one million people) work (Cebulla et al., 2007).

to make any charge for personal care[5] provided in someone's own home although most do operate a charging policy (subject to a means test). Local authorities may decide to include savings and capital in this means test, but cannot include people's homes in this calculation. Those receiving care provided in a care home are always subject to a means test which includes savings, capital and income (see Table 2).

Table 2: PAYING FOR CARE ENGLAND

Income	LA Contribution	Individual Contribution
<£14,000	Full cost of care	Nothing if capital less than £23,000*
£14,000–£23,000	Partial	£1 for every £250 income over £14,000
£23,000+		Full cost of care

*If capital is lower than the upper limit of £23,000 but weekly income is more than the cost of care home fees plus personal expenses (£21.15) added together then care home fees have to be paid in full (this is called tariff income).

For homeowners, the value of their home will also be included as capital[6]. The local authority cannot force a homeowner to sell their property. Instead, the local authority can offer a 'deferred payments arrangement' on the home, whereby the final costs must be paid back when the home is finally sold or the estate wound up[7]. Although the risk of using up one's life savings to pay for care is relatively low as the duration of stays in residential care is usually short (on average, two years), many people in the UK are concerned that they will be impoverished by the costs of paying for care (Hirsch, 2005). Many are also resentful about having to pay for their care; nevertheless, there is a general acceptance that the system will have to change and that it is unrealistic to expect the state to pay (Quilgars and Jones, 2010; Croucher and Rhodes, 2006; Hirsch, 2005).

[5] *The situation is different in Scotland where personal care is free.*

[6] *In some circumstances, the value of the home is disregarded, for example, if a husband, wife or civil partner (or unmarried partner) lives there.*

[7] *The cost of care and the contribution made by individuals varies depending on individual circumstances, needs and the local authority area. Local authorities pay well below the true market rate in many parts of the country, although there are wide variations, with the difference being made up either through 'top-up' payments by family members or by requiring self-funding residents to cross-subsidise local authority fees. Contribution regulations are also different in the devolved nations. Average care home fees are around £590 per week. In 2006/07, pensioner couples received an average income of £508 per week, compared with £267 per week for single men and £240 per week for single women. The largest source of income for pensioners is state 'benefit income', which includes state pension income and benefits. The basic state pension is £95.25 for a single person and £152.30 for a couple. Local authorities pay well below the true market rate in many parts of the country, although there are wide variations, with the difference being made up either through 'top-up' payments by family members or by requiring self-funding residents to cross-subsidise local authority fees.*

Although paying for long term care is a concern for many UK citizens, as well as government, currently most care is provided unpaid largely by family members. There are an estimated six million informal carers in the UK providing care worth as much in value as total spending on the NHS, representing approximately 70 per cent of all care (Carers UK, 2005). Two thirds of British people think dependent people have to rely too much on their relatives and other studies have found that people fear becoming dependent and a burden on their relatives more than they fear dying (EC, 2007; The Telegraph, 8th February, 2010).

The main aim of the DEMHOW study was to investigate the ways in which, across eight member states, demographic change and housing wealth are linked. This paper goes on to explore specifically, the views of thirty UK owner occupier households on their expected sources of income in retirement; their expectations of care in older age, including who will provide care and who will pay for it; and, their views on using housing equity to supplement their income and to pay for care in later life.

Methods

In depth qualitative interviews were conducted with thirty households during the summer and autumn of 2009 in York, in the north of England. The households were all home owners and included a mix of single people and couples, with and without children, in three age groups (25–35, 45–55, and 65 years and older). Respondents differed in terms of socio-economic characteristics, a few were wealthy, most were comfortably off and a few were living on relatively low incomes. Only two households were wholly reliant on state welfare benefits (both had a disability). A professional recruitment company was used to identify participants. A semi-structured topic guide, developed following discussion with all eight research teams, was employed. This included a number of vignettes which respondents were asked to reflect on. Each household received £25 (€29) as a token of thanks for their time.

Table 3: INTERVIEWS ACHIEVED (TARGETS IN BRACKETS)

Age Group	With Children	Without Children
25–35	5 (6)	4 (4)
45–55	5 (6)	5 (4)
65–75	7 (6)	4 (4)

The case study area

York is neither particularly wealthy nor deprived and has similar levels of, and access to, care provision as any other small city in the UK. House prices in York tend to be slightly higher than the average for England and Wales as a whole. The average price of a property in York at the time of the research was £168,914 (€194,000) compared to £156,523 (€180,000) in England and Wales. House prices have fallen in York since 2008 (although by less than in the UK as a whole) but have been rising gradually since April 2009.

Findings from Household Interviews

Income in retirement

Before going on to discuss their own income (or expected income) in retirement, households were asked to reflect on the following scenario:

> *A couple have recently retired, they are in their late 50s and in good health. They have two children who both have families and moderate incomes. They own an average dwelling in a rural area. They are finding it more difficult to maintain their standard of living in retirement than they thought and are considering ways of increasing their income.*
>
> *What are their options? What would you advise them to do? Why?*

The older households tended to emphasise ways of increasing household income, by taking part time work, or downsizing to release equity. Respondents in the 25–35 age group suggested that the couple could take on paid work rather than downsize. Households in the 45–55 age group were less likely to suggest finding work as an option and were more likely to suggest that the couple release equity. Respondents in this age group also suggested that the couple could move to an area with better access to services and facilities as a means of reducing outgoings and of planning for future health and support needs. Respondents in all age groups suggested the couple might be able to reduce their expenditure. A number of respondents questioned why the couple had retired early if they could not afford to do so.

A few people suggested that the couple could take in a lodger or sell up and find somewhere to rent although it later became apparent that few would choose this option themselves. Others thought the couple might wish to leave their property to their children and would not want to sell or release equity.

Respondents were then asked about their own retirement and whether they had, or expected to have, sufficient income. All but one of the respondents in the older age group were retired or semi-retired and were in receipt of a pension, with most having both state and private or occupational pensions. A few said they used their interest from savings and investments to 'top up' their income from pensions but none relied on housing equity or drew on their capital. A number of households had inherited assets, in some cases substantial amounts, which meant they were much better off than expected. Almost all the older respondents felt they had sufficient income but many stressed that they were not extravagant and were careful to live within their means. Most said that their household income had fallen considerably compared with when they were economically active. However, the drop in outgoings including mortgage repayments, car loans and costs associated with work such as travel costs often balanced this decline.

> *I don't think we do too badly at all. I am sure we are on less but you really do spend less than when you are in work. I really don't feel any worse off...we are not better off but I feel more relaxed about it...I think we worried about retiring and not having enough money but now we are retired and we can manage without any hardship, it is great.* (Couple 65+)

A couple of respondents noted that their income in retirement was lower than anticipated due to what they perceived to be poor, or misleading, financial advice, and in a few cases, the failure of a company or private pension scheme. A small number of households had delayed retirement or had taken on part-time work because of this. Most households in the 45–55 age group felt that they would have a sufficient income in retirement; they expected that occupational pensions would be the main source of income but thought the state pension would also be important. A few households also said that their housing would be an important source of income.

In general, younger respondents hoped they would have a sufficient income in later life. They expected to be able to rely on occupational or private pensions but few thought that the state pension would be an important source of income as they expected this to decline in value or even be withdrawn. Single respondents without children tended to already have formal plans in place for retirement (pensions, savings and a range of investments) but those with children explained the need to balance saving for the future and other more immediate priorities, such as the cost of raising a young family, as well as enjoying life. These respondents intended to 'climb' the property ladder, build equity and use their homes as a financial asset (often to help their children) in the future. Notably, some younger respondents expected that they would have to work past the current state pension age (into their late 60s or even 70s) or work part-time in order to supplement their pensions.

Overall, households believed that whilst the state had a responsibility to ensure that people had sufficient income in old age, they also realised that individuals had to take responsibility for their own retirement planning. Very few thought the family had any responsibility for providing an adequate income in old age although most thought their families would provide some financial help if they were able to.

Care plans and expectations

Before going on to discuss their own expectations of, and plans for, meeting care needs in older age, respondents reflected on another vignette:

> *A 75 year old lady lives alone in a small house with a garden which she owns. She has been managing at home but is becoming frailer. One of her children lives in a village 30 kilometres away and visits her every week to help her with cleaning the house and doing the shopping. Her other child lives 100 kilometres away and visits on a Sunday to cheer up the old lady. The elderly lady's health deteriorates and she is no longer able to care for herself.*
>
> *What should happen now? What are the options? Who do you think should be responsible for her care?*

Most described a range of options available to the old woman and her family. These included: remaining in her home with support from the family and/or professional carers; moving to live with one of her children; moving into sheltered accommodation[8] or to a residential care home or nursing home[9]. Most made the point that the options would depend on her needs and that it was important to consider the woman's preferences (although they agreed that she might not be able to remain in her own home even if she wished to).

Households in all age groups thought that the family could help to care for their mother (with support) in her own home although this would be difficult as they lived some distance away. Although the vignette did not specify the gender of the children, respondents suggested that 'the daughter' could move to be closer to her mother or move in with her, or that the mother could move in with one of her children. However, most remarked that this was not necessarily an appropriate solution. It would depend on how well the family got on together; whether the arrangement would be acceptable to all family members; what other responsibilities the children had for example, whether they worked and/or had young children; and, whether they had room to accommodate her. They also remarked that older people preferred to be dependent and would not want to be a burden on their families, reflecting the views of British people noted earlier.

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[8] *Sheltered housing schemes are usually run by councils and housing associations. People live in their own self-contained accommodation but can call for help from a warden if required. Sheltered housing schemes do not provide care services but social services can provide these.*

[9] *Nursing care is free to those deemed to be in need.*

When asked who should be responsible for providing and paying for care, most people said that they thought the state, the individual and the family had some responsibility. Many felt that, as they had paid taxes and national insurance contributions all their working lives, the state should take the main responsibility for funding care. People were well aware, however, that individuals with savings and assets have to contribute to the cost of care. As previous studies (Croucher and Rhodes, 2006) have found, respondents perceived this as unfair and felt that hard work and thrift are penalised.

Table 4: PAYING FOR CARE IN THE FUTURE

If you were to need regular help and long-term care that would require payment, who do you think will finance this? (MULTIPLE ANSWERS POSSIBLE)

You	Your Partner Spouse	Family – children or parents	Other relatives or friends	Private insurance	State	N/A	Nobody	Don't know
38%	11%	9%	1%	9%	37%	1%	1%	8%

Source: EC (2007)

Respondents were asked who they thought would care for them in the future. Overall, most thought that they would have to take responsibility for their own care or rely on their partner. Many explained, as they had when discussing the vignette, that this would depend on how much help and what type of care they required. Few respondents in any of the age groups thought that their children would care for them although most said they hoped their children would help if they could. Perhaps surprisingly, respondents in the younger age groups were the most likely to raise the possibility of their children caring for them. However, only one or two expected their children to care for them. People often said they would not want to be a burden to anyone and, despite their negative views of care, would choose to go into residential care or sheltered accommodation. However, they would not want their relatives to have to do so. This was a common response from respondents in the older age groups but some younger people also made similar remarks.

> *...I would want to move into a care home, I would not want to be a burden on anyone...but if it was my mother or mother in law then if we had a big house or the money to pay for care personally I would do anything to try to keep them out of a residential home...* (Couple 25–35)

A few older respondents had discussed their care in later life with their children but only one couple (without children) had made firm plans to move to a retirement community where they would receive support and nursing care if required. The remainder talked about the options available including selling their homes and moving to a larger property with their children, but had not discussed these in any detail with their children.

Respondents in the youngest age group were, not surprisingly, less likely to have thought about their care in older age. However, most recognised that it was almost certain that they would have to pay towards the cost of care. Whilst a few hoped their partner or children would care for them, if they were able to, others said they would not want to be a burden to their children.

Respondents were asked whether they thought they would be able to depend on care services and health institutions when they were older and/or ill. As noted above, people expected that they would have to contribute to the cost of personal care but almost all thought that they could continue to rely on a free health service. Perhaps surprisingly, only a few people (across the age groups) mentioned the 'demographic time bomb' and pointed out that the state would find it difficult to provide care for the growing number of older people.

> *...the way things are going now and there are more and more older people now...There's a limit to how much they can cover...eventually there will have to be some sort of insurance... there will have to be something as there are so many old people...* (Couple 65+)

Public perceptions of older people's services in the UK are generally negative. As well as concerns about costs, there are concerns about the quality of services (EC, 2007; Hirsch, 2005; Croucher and Rhodes, 2006) and respondents tended to talk about the *standard of care* they could expect and rely on. For the most part, as earlier research suggests (EC, 2007) respondents thought they could rely on the NHS but a few were concerned that standards of health care for older people were not satisfactory. Many more had doubts about the standard of care provided to older people in residential settings or in their own homes. Some had experience of visiting relatives in care homes and reported mixed experiences, whilst others were aware of media reports about the poor care received by, and/or ill treatment of, older people. Respondents in the youngest age group tried to envisage what they might expect in the (very) distant future, but most found this difficult.

The role of housing equity

Unsurprisingly, as can be seen in Table 5, households in the 65 and older age group tended to have the greatest amount of equity and none had a mortgage. The younger age groups had less equity and almost all had mortgages. A couple of young households had bought properties very recently and, because of the fall in house prices, had little or no equity. Younger households were confident about future house prices and expected to build equity over the long term either simply through rising house prices or, as part of a longer-term financial strategy, by moving up the property ladder.

Table 5: CURRENT AMOUNT OF HOUSING EQUITY BY AGE GROUP

Value (£s)	65+	45–55	25–35
Negative equity/no equity			2
1,000–50,000			3
51,000–100,000	1	4	2
101,000–150,000	5	2	
151,000–200,000	2	2	
201,000–250,000		1	
251,000–300,000	1		
301,000 +	2		

Virtually all respondents in all age groups viewed their home as a financial asset, including those younger households who had little or no equity. However, although there was near universal recognition of the financial potential of their homes, there was considerable variation in their views about whether and how they might use equity. When asked about using housing as a financial resource most respondents mentioned downsizing. However, as previous studies have noted, although downsizing is perceived as a favoured strategy for releasing equity and reducing costs, it is not always an appropriate or suitable one (Clery et al., 2007). Four respondents in the two older age groups explained that it would be difficult for them to downsize because their home was small and/or not worth a great deal. As other studies have suggested, downsizing would only work for some by moving some distance away to a cheaper, possibly less desirable and unfamiliar area, which people were often reluctant to do (Williams, 2008).

Two respondents in the 25–35 age group described their retirement planning in terms of a clear trajectory of increasing the size of their homes as they brought up their children, and then to downsize in later life. However, a few of the younger respondents were more circumspect about the prospect of downsizing. They explained that they would only consider downsizing if they desperately needed the money, for example, to pay for care.

Other mechanisms for using the home as a financial resource were even less popular, in particular, taking out a second mortgage and remortgaging the property. Households described the importance of being mortgage-free and disliked the idea of being indebted again, a view that has been seen as a limiting factor in the equity release market (Caplin, 2002).

> *No way. It would be too risky because your property value can go up and down. It would be your children who would lose out if there was a debt... No.* (Couple 65+)

The least popular option was to sell up and rent as respondents felt that renting was 'dead money', they did want to worry about paying housing costs and were concerned that the proceeds of the sale might run out. Overall, respondents reflected the view of the UK Pensions Commission (2005) which suggested that it is economically rational for owners who have accumulated net equity in a house by the age of retirement, to maintain the right to rent-free retirement.

Some respondents across the age cohorts felt that they would want to use their property as a source of finance because they regarded it as their home. In other instances, respondents commented that they had tended, or planned, to use other sources of finance, usually savings, rather than drawing on the equity in their home.

The interviewers set out the basic principles of a reverse mortgage and asked respondents for their thoughts on this equity release product. Few respondents had heard of reverse mortgages and most said that they would not consider using one unless they faced some sort of emergency or had no other choice. The reasons given were similar to those for not wishing to downsize or remortgage.

Households also explained that they would not wish to use a reverse mortgage because they wanted to leave their property to their children whilst others were concerned that they might leave a debt that their family would have to repay.

> *I think I would have to be pretty desperate...and there would always be that fear there that there would be not enough left to cover the costs, and the family would be left with a debt.* (Couple 65+)

Respondents explained that they would have to research the product carefully before considering it. Several were concerned that they could lose their homes. Another reason was that such products did not appear to offer good value for money and, as other studies have found, people were suspicious of equity release mechanisms and financial services in general (Croucher and Rhodes, 2006; Rowlingson, 2005b).

> *With products like that, that sound too good to be true, there is usually a clause I always think, like the interest is really high, or that the valuation is much less than the house is really worth...things like that always worry me, so unless you were in real dire straits, then I'd avoid it like the plague. I just think that people should live within their means. It would have to be a very important reason why you needed that capital.* (Couple 25–35)

However, not all respondents were against the idea of reverse mortgages, and a small number stated that they would potentially be interested in this type of product. They were more attractive to those without children who felt that reverse mortgages, as well as more generic equity release products, would suit them.

> *I might look at it differently if I had a family of my own, but we can think about these types of idea.* (Couple 65+)

Finally, households were asked why they thought people appear to be reluctant to spend equity and other savings they had built up over their lives. All respondents recognised this trait and many cited examples of older people who lived frugally even though they owned properties and had savings.

> *I work with the elderly and see how they scrimp and save and do without – they won't spend it on things that they need because they want to leave it – I think it is very nice if you do have something left over...if you have something to leave then fair enough – but people should stand on their own two feet and should not expect to get anything from their parents...* (Couple 65–75)

Respondents believed that savings and equity in the home provided a financial buffer in case of any future problems or difficulties. However, when questioned further, most people found it difficult to imagine any circumstances in which they would choose to withdraw equity.

Several respondents also noted the practical concern that older people have of making sources of income last through later life, and not using up savings and assets, including their housing equity. A couple of respondents discussed the impossibility of knowing how long one might live and, therefore, how long ones savings would have to last.

How do they know they have saved too much? How will they know how much they will need? (Single, 65–75)

A key feature of responses was the perception that attitudes towards holding on to equity and savings were habitual, and rooted in the culture of particular generations.

Respondent: It's the way they have been brought up. It is hard work to save all that money and they are reluctant to spend it. You become conditioned to your own economy. I think if you started to spend money – it is easier to start than to stop...you can lose control.
Interviewer: So what are your savings and investments for?
Respondent: They are a buffer, so we don't have to worry.
(Couple, 65–75)

Several respondents in the 65–75 cohort remarked on the extent to which the behaviour of their own parents had shaped their own attitudes. A couple of these respondents also commented on habits formed not only as a result of living through years of austerity and rationing in the post-war years, but also a collective memory within previous generations of historic policy responses to poverty which led to the very harsh treatment of people who lacked the means to support themselves. A few respondents remarked that these attitudes were changing.

I don't think there are a lot of youngsters around York who are saving. People just buy, even on credit. (Couple, 45–55)

Respondents in the 25–35 age group were more likely to distance themselves, and people of their generation, from the habit of not spending, and holding on to equity and savings. Many in this age group (as well as a few in the 45–55 year old cohort) hoped to draw on savings and assets, including their housing equity (in the main through downsizing), in the future. A few households in the two younger age groups had already withdrawn equity and had used this for home improvements. Younger people tended to say that they would use equity to help their children, although a few hoped that it would also fund a better standard of life and talked about buying holiday homes and/or living abroad and retiring early. Importantly, they hoped both to have sufficient equity to be able to live comfortably and to have a property to leave to their children.

Conclusion

Income in retirement

As previous studies have suggested, there was evidence of a lack of confidence in pension provision. Whilst occupational pensions were an important actual, or expected, source of income across the age groups, younger people felt that these were unlikely to be as generous in the future. Similarly, whilst the state pension was an important source of income for retired respondents, younger respondents expected its importance to reduce over time. Nevertheless, the majority of respondents had, or expected to have, sufficient income in retirement. Younger respondents tended to be quite optimistic in their ability to continue in employment and to build up pensions, savings and assets for their older age. A few younger respondents also highlighted the potential importance of employment as a source of income when they were older. People discussed transitional arrangements such as taking part time work, or just carrying on working beyond the state retirement age as a small number in the 65 and older age group were doing.

Expectations of Care

For the most part, respondents expected that they would be responsible for their own care and did not expect their children to provide or pay for their care. Many were anxious to preserve their savings and investments to pay for care rather than use up their equity, usually because they wished to leave their property to their children.

Whilst younger households with children placed more importance on housing equity than people in the older age cohort and hoped that they would be able to draw on this in the future, few favoured equity release products. Those who planned to use equity hoped to downsize in the future so that they could benefit from the equity and still have a property to leave to their children. Overall, equity release by other means was still regarded as a distress option rather than part of a pre-planned approach to retirement (Pensions Commission, 2005).

Respondents also wished to remain in control, as far as possible, of their financial and housing arrangements. They did not wish to put themselves into a situation of potential vulnerability by placing their trust in private or public sector agencies or institutions. Hence, downsizing was perhaps viewed as a popular option because the household could retain control over the process, and retain ownership of their (new) home. Another way of sustaining control was by having sufficient resources to cope if there was a 'rainy day'; that is, an adverse situation in the future. For older respondents, this issue turned on having savings or investments to draw on in an emergency. In contrast, for some of the younger respondents, there was an optimism that they would be able to maintain their standard of living through paid employment, not only up to the traditional age of retirement, but also beyond this date, and to carry on working to fund their lifestyles in late life as well. However, others hoped that they would build sufficient equity to retire early.

It appears that UK homeowners are well aware of equity release products but most remain suspicious and prefer to rely on savings and assets to meet their needs in older age. Younger households appear more willing to consider using equity in the future and for some, especially those with children, building housing equity is central to their longer term financial planning. However, whilst confidence in financial institutions, and the equity release products they offer, may increase in future years, it seems that the desire to leave an inheritance may continue to be a reason for choosing not to spend the home, or at least not all of it, into the future.

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