

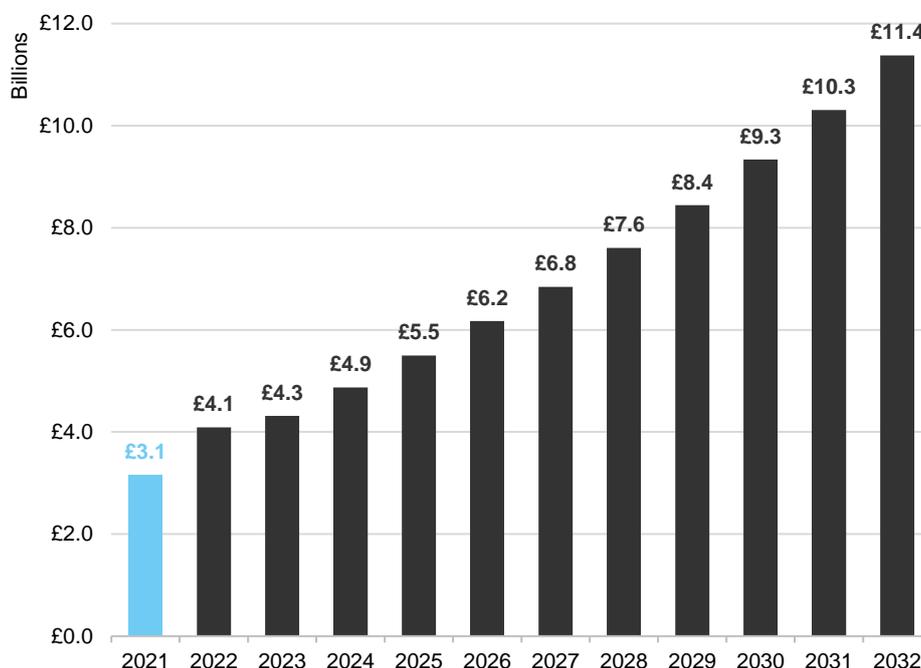
## Equity release funded over £3 billion of retiree domestic spending in 2021

- Equity release funds currently account for one in every £90 spent by retired people within the UK
- Retirement spending funded by equity release set to rise above £4 billion in 2022
- The number of new homeowners turning to equity release each year is expected to rise by more than a third in the next ten years
- One in five prospective customers cite equity release to help finance care-related expenses

In 2021, equity release funded an estimated £3 billion in retirement spending, according to Legal & General and the Centre for Economics and Business Research (Cebr)'s ['The Equity Economy Report'](#)<sup>1</sup>. From this, equity release approximately funds one in every £90 spent domestically by retired people.

Modelling by Cebr shows that total retirement spending funded by equity release could top £4 billion this year, as homeowners increasingly look to property wealth to support their retirement.

### Value of retirement expenditure financed through equity release (£ billion), estimate for 2021 and forecast from 2022 to 2032\*



\* Captures day-to-day and irregular domestic expenditure. Excludes funds allocated to financial planning and overseas holidays.

## Big plans for property wealth by younger homeowners

According to data from Cebr, the share of total property wealth held by over 65s has increased from 28% to 37% over the past 12 years. This, coupled with the rising value of homes in recent years, seems to be driving more homeowners to consider the role that property wealth might play in supporting them financially in retirement. One in 20 homeowners currently use equity release to fund retirement but this is anticipated to almost double to one in 10 (11%) based on the anticipated plans of younger homeowners.

Cebr's expert housing forecasts found that the average amount of equity released is set to rise above £170,000 within the next five years, despite an expected slowdown in housing market dynamics, resulting in a 47% increase on 2021 levels.<sup>3</sup> The total amount of equity released from property is expected to double by 2030 to over £12 billion, as customer numbers increase and the average amount of equity released grows.

One in four retired homeowners (28%) cited having accessed their property wealth through a means other than equity release, for example, re-mortgaging, downsizing or taking out retirement interest-only mortgages. Almost a third of this group accessed property wealth to finance home improvements or renovations.

## Property wealth funding day-to-day spending

The majority of equity release spending by retirees is used for occasional big purchases such as home improvements, furniture or even a new car (£1.9 billion). Other uses for equity release include day-to-day expenses, such as food, clothes, transport and entertainment (£1.3 billion). The remaining equity used for spending (£480 million) is estimated across international holidays and financial planning.<sup>2</sup>

The report found that homeowners have most frequently used equity release to finance home improvements (26%). Equity release is also used to support costs such as medical expenses (17%), maintaining living standards in retirement (16%) and paying off personal debt (16%), for example paying off interest only mortgages. Equity release is likely to play an increasingly important role in financing care-related expenses, with 19% of prospective homeowners citing it as a consideration.

**“Our report highlights that homeowners are increasingly planning to use equity release or other ways of accessing property wealth to help fund later life. This shift reflects the boom in property values, which have made our homes such an important asset, but it also demonstrates how far the equity release market has come through the introduction of product innovations and how it has become a more suitable solution for a wider range of people. It has always been Legal & General's view that changing customer needs and attitudes would see equity release transition from specialist product to a mainstream option. The impact of the equity release market is more significant than just the spending power it gives to customers, it also makes a positive contribution to the UK economy.”**

**Craig Brown, CEO, Legal & General Home Finance**

**-ENDS-**

<sup>1</sup>The Equity Economy 2022, Centre for Economics & Business Research (Cebr) report for Legal & General, April 2022. Cebr was commissioned by Legal & General to analyse the equity release market in the UK. As well as drawing on existing data sources from the [Equity Release Council](#) and [the Office for National Statistics](#) this report gains fresh insight from a bespoke survey of more than 2,000 homeowners, of which 339 are equity release customers. Fieldwork for the survey was undertaken between 31st March – 7th April 2022 by Opinium.

<sup>2</sup>In estimating the distribution of equity released by retirees, the following classifications are assumed:

- Day-to-day expenses: food, clothes, alcohol, and tobacco products; transport; education; healthcare costs including residential care; arts, entertainment, and recreation; and 'other'.
- Irregular domestic spending: electrical equipment, and consumer electronics; furniture and soft furnishings; cars, campervans, and trailers; home improvements, repairs, and maintenance in and around the house; domestic holidays; and buying or renting property.
- Spending on international holidays is analysed in isolation due to this representing funds leaving the UK economy.

- Funds allocated to insurance, savings, pensions or investments are analysed in isolation due to this being distinct from typical consumer expenditure.

<sup>3</sup> Average equity release is here defined as total equity released by new and existing customers, divided by the number of new customers

## Notes to editors

### About Legal & General

Established in 1836, Legal & General is one of the UK's leading financial services groups and a major global investor, with over £1.4 trillion in total assets under management\* of which a third is international. We also provide powerful asset origination capabilities. Together, these underpin our leading retirement and protection solutions: we are a leading international player in pension risk transfer, in UK and US life insurance, and in UK workplace pensions and retirement income. Through inclusive capitalism, we aim to build a better society by investing in long-term assets that benefit everyone.

\* at 31 December 2021

### About Legal & General Retail

As of 1st January 2022, Legal & General Retail Retirement and Legal & General Insurance (our two retail businesses) have been combined into one division, Legal & General Retail, to enable us to better serve the needs of our retail customers.

Legal & General Retail helps protect the lives and futures of our customers; the division covers the savings, protection and retirement needs of our c12 million retail policyholders and workplace members. In 2021, we wrote £957 million of annuity premiums, and issued £848 million of Lifetime Mortgages and Retirement Interest Only Mortgages. Our Workplace pension platform served 4.4 million members, while in the UK we paid out a total of £1,133.8 million in insurance claims.

## Further information

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