HODGE

Are your clients tired of retirement?

The changing face of today's older borrower and how you can help shape their future.

Ryan Davies
Managing Director for Hodge Mortgages

Our research clearly shows the attitudes of over 50s are changing and perhaps unsurprisingly many hate the idea of getting older and don't want to be told what to do when it comes to giving up work.

Later life just isn't what it used to be and it's about time brands recognised that. For too long this market has been served up the tired trope of the cardigan-clad grandpa but we know this isn't representative of our customers.
It's our hope that by sharing this research it will allow the brokers we work with to have different conversations with customers who are later in life. Perhaps to consider a new over 50 customer and work with them in a different way.
As the retirement age increases these customers will need different things from our products. We will all, brokers and lenders alike, have to adapt to continue supporting this evolving market.

At Hodge, we're also committed to undertaking expansive and thorough research which we hope will help us create innovative products in the specialist lending space.

At Hodge, we're proud to say we really want to get to know our customers. We want to hear their views and opinions and when they tell us, we listen. We're always looking for ways to improve, that's why research and feedback is so important to us.

Why we did the research:

We seek to understand our customers' motives and ambitions, creating products to help them shape a future with financial security.

1000+

Recently, we interviewed more than **1000** people about their views on retirement and finances in later life and it's clear views have shifted considerably in the past few years.

Because of these changing values, it's important intermediaries, brokers and IFAs think differently when communicating with today's over 50s, 'the modern older borrower' as they now see themselves.

Many are quite rightly not ready to be considered 'retired' or viewed a pensioner just yet, their habits prove they are far from ready to stop work, they're still having fun and very much planning for the future.

Our 50+ customers want financial security, but that's not all. They're positive about the future, lead active lifestyles and are excited about what's to come. They want a full and energetic life and want to be able to plan for an exciting road ahead, safe in the knowledge they're financially stable and the sound financial decisions they make will benefit their autumn years.

We may sell later life products, but what's clear is our 50+ customers' behaviours have changed more than any generation before. Having undertaken this research, we feel it's the perfect time to change our tone to one that suits this modern way of thinking. Matching messaging to customer aspirations shows we all have a shared understanding of how they feel about retirement. We want to give them confidence, not just in Hodge's later life products, but in how you approach their ambitions for later life.

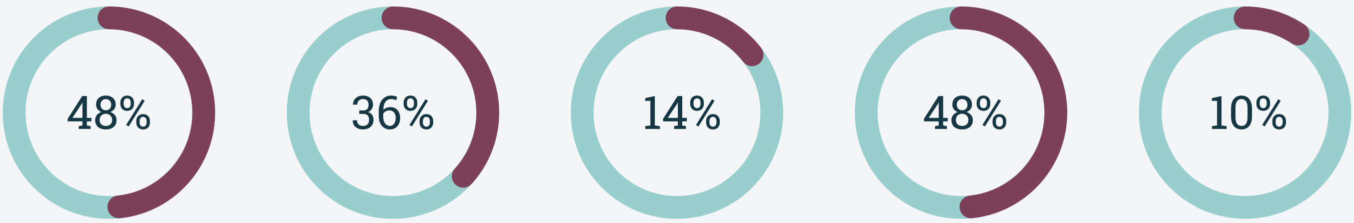
Let us help you, our intermediary partners, have conversations with your customers in the right way. We'll arm you with the knowledge of how today's over 50s behave, their ambitions and their life priorities.

What 50+ customers think about retirement

So, what exactly do our customers think about retirement? Well, according to our research, not very much! In fact, this generation of over 50s actually view retirement as something of a derogatory term.

Let's take a closer look at the figures.

Our data shows:



- think retirement should happen when you're ready to give up work
- think retirement should be when you are financially able to give up work
- think state retirement age is the right age to retire
- think people over the age of 50 don't believe there should be an age of retirement
- don't like the word 'retirement' – saying it makes them feel old and is too final

This new research confirms our anecdotal findings in this age group, where some customers are ready to think about retiring and giving up work, while others are still enjoying an active life and are by no means ready to slow down.

Our customers view this stage in life as the 'next' stage rather than the 'last' stage. Some customers want to take a step back from work while others aren't ready.

The correlation between being ready to give up work and being financially able to do so is also quite interesting – nearly half of those we asked want to be ready to give up work, not forced to do so by some pre-determined age or date. The same amount agree there shouldn't be an age of retirement.

Financial stability is also important – with more than a third wanting to retire when they're financially able to give up work, again rather than at a certain age. This generation want more flexibility when it comes to retirement.

Our job at Hodge, and yours as brokers, is to help them consolidate their funds for whatever they need them for. Perhaps they want a new home or to improve their existing one or they want to help their families out with some extra cash while still working? Whatever the reason, we need to help them see there are plenty of choices.

Engaging with the over 50s about planning for later life products as early as possible means they can enjoy the 'next' stage of life, safe in the knowledge their funds are stable and working for them for whatever they need them for.

Finances – are they a joint effort?

Many of our customers are couples when coming to Hodge for 50+ products, but the way partners deal with those finances can be very different, therefore brokers and intermediaries need to consider other ways of dealing with those clients too.

56% 19%

Our stats show more than half **(56%)** of Brits share their finances 50/50, compared to a fifth **(19%)** who like to have their finances separate.

Nearly a third (32%) of over 50s know everything about their partner's finances, but 12% would like to know more.

Surprisingly, **4%** said they hide their savings accounts from their partners while **2%** admitted to having debt their partners didn't know about.

When it comes to sharing financial responsibilities, it seems life partners are also money partners too as **64% said they share the money tasks, including money decisions.**

But 20% also admitted only one half of the couple takes responsibility for the household finances, with the other partner having no clue what they spend their money on.

1/5

Nearly a fifth of those questioned said they didn't like having everything in joint accounts, and like to have some money separate to their partners, with just 5% saying they think it's wrong to keep money separate from your other half.

The research gives a really useful and interesting insight into the financial workings of couples over 50. The days of one partner looking after the money are long gone and responsibility is far more equal. It's perhaps surprising to see some people hiding money from their partners with 2% admitting to secret debt which could arguably have an effect on joint mortgage and credit applications.

However, when it comes to planning for later life and money, it seems it's a pretty level playing field between partners which hopefully indicates they can go on to enjoy a harmonious, happy 'next' stage – with help, knowledge and financial guidance from brokers and IFAs.

What this research does show is financial decisions of the over 50s are still predominantly made together. With that in mind brokers need to ensure both parties understand the repercussions of taking out later life financial products for both them as a couple, as well as any children or beneficiaries.

Part of an intermediary's role is finding out what financial product works for a person, partnership or family, ensuring they're getting what they need with their eyes fully open to both the opportunities and risks.

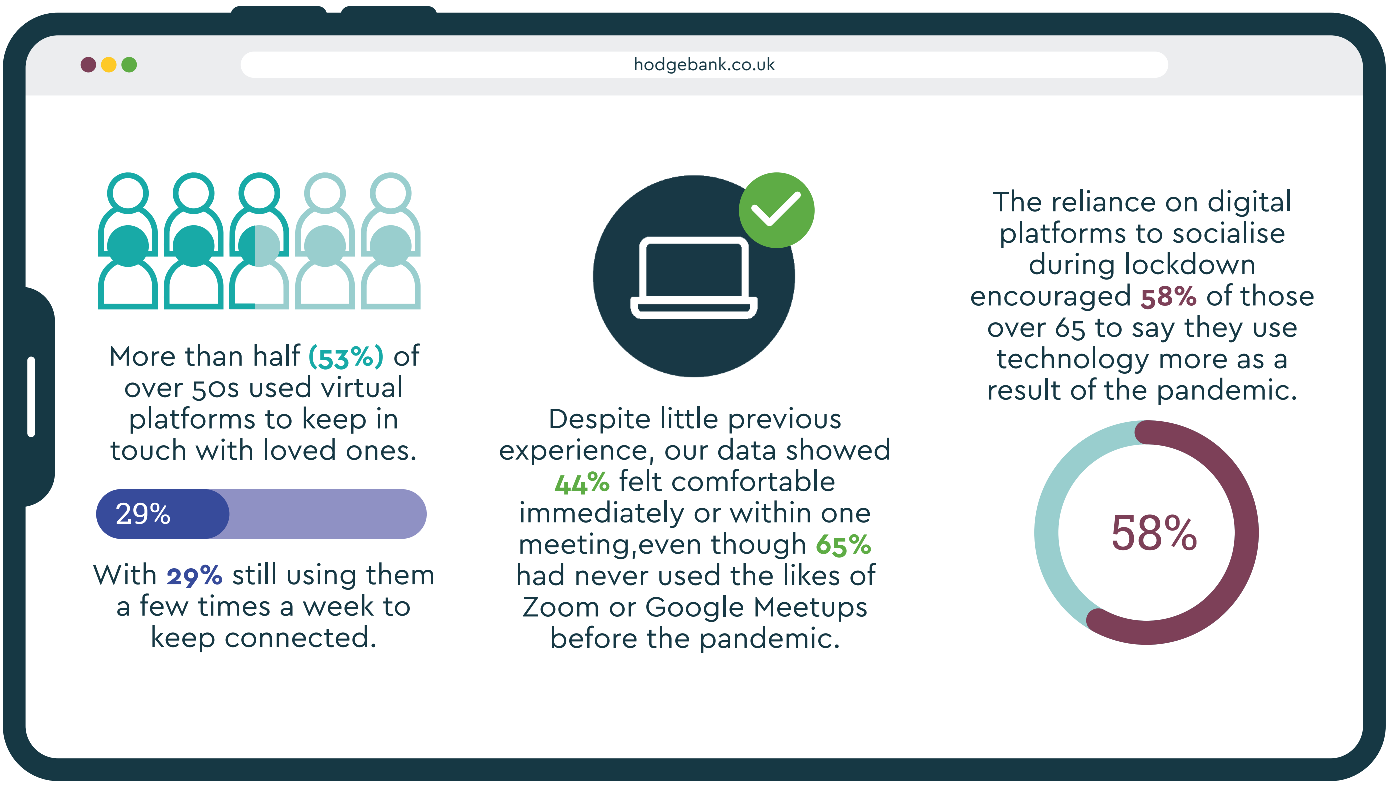
Open conversations with both partners are key when looking to take out products at a later stage in life – decisions need to be made together to ensure the chosen products work for all eventualities.

The babyzoomers: how the over 50s view technology

Apologies, but we do need to use the dreaded C and P words because the coronavirus pandemic has definitely changed the way our over 50s use technology.

Our research was conducted just after we had been through the first two lockdowns and what we found is they're far more adept in the digital world than they were pre-Covid. This will pay dividends to this generation with more varied financial options for them too, through more and more products going online.

Almost half of our survey respondents said they feel much more confident in their IT skills post pandemic. The pandemic clearly forced their hands, as lack of physical visits from family and friends led to more people connecting via video links having previously barely even being aware of Skype. Over 65s are now confidently using the likes of Zoom and Teams to enjoy precious video chats with family and friends.



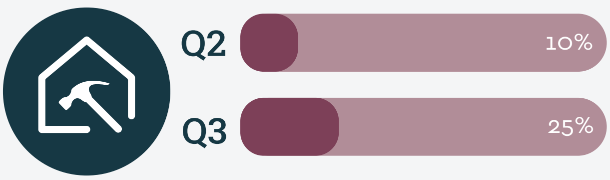
So, what can we learn from this? It's clear "older" clients are now much more open to different products from many different suppliers (online or offline) than ever before.

It's worth considering this when working with them. Look at the research and discuss how they like to carry out their financial business before recommending a product. Online skills have opened up a world of opportunity for these spenders and they're likely to be far more confident in researching products and banking online than ever before.

What are their priorities when it comes to spending?

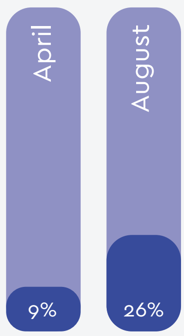
Your 50+ mortgage customers may have had to curtail their holidays due to Covid-19 but it seems this has given them even more reason to spend on home improvements.

At Hodge we always review what our customers use our products for – those results vary from month-to-month. But what we've seen during the year so far, is a big increase in the number of people wanting to use our later life products to help fund home improvements. It seems all those months in lockdown made Hodge customers want to improve their living spaces.



The data shows many of those taking out a 50+ mortgage are doing so to renovate their homes, with cases going from around **10%** during **Q2** up to **25%** in **Q3.**

In **August**, when people usually want to splash some cash on a beach holiday or cruise around the Med, **26%** of customers released funds for home improvements, compared to just **9%** in **April.**



These figures are definitely down to the 'pandemic' factor. Homes have taken on a much bigger significance during the Coronavirus crisis. They've become safe sanctuaries and the need for more functional spaces has become abundantly clear. Spending more time within the same four walls has clearly encouraged our customers to make changes, create bigger spaces and swap the money they would have spent on a cruise on a brand-new kitchen instead.

Pandemic restrictions may have been lifted but lockdown DIY and renovation projects are clearly high on the priority list for customers. And if they want to take on a big project and haven't found the financial options designed to suit them, it's the perfect time to talk about flexible mortgage products.

By telling them about Hodge's later life products, you could be opening the door to lower payments and more freedom in the short term, which is a big proposition for those who want some financial freedom in the twilight years – perhaps for the extension they've always dreamed of.

The Hodge Holiday Let mortgage has proved a popular option so we also did some research into what over 50s are looking for from a holiday in the UK, and what they think of holiday lets.

When it came to holidays, we found more people stayed in serviced or privately rented accommodation this summer, while camping and glamping joined houseboats at the bottom of the list as the least popular places to stay.

We also learned those staycationing wanted to stay near the sea, a pub and in walking distance with the shops and, with foreign holidays still not quite ready for business, the holiday let rental market was booming.

One of the underlying issues from our survey revealed half of adults in the UK could be losing out on tax breaks simply because they don't want the 'hassle' of owning a holiday let.

Only a third of those questioned by Hodge said they would consider investing in a holiday let property, with the vast majority of people admitting to not even knowing there were tax breaks involved.

Eight out of 10 people (84%) said they weren't aware of the financial benefits in owning one, and a further 8% said they weren't sure.

The top five reasons listed out by those not willing to consider a holiday let apart from the hassle involved were:

They don't think their finances would allow it **(48%)**

They don't want to go to the same place every time **(41%)**

They feel too old to do it now **(35%)**

They'd worry about visitors breaking things **(24%)**

They'd worry about their finances if empty for too long **(22%)**

For those looking to capitalise on the increase in staycations and own a holiday let property, Hodge offers mortgages which allow customers to borrow up to £1.5m and has a maximum lending age of 95. We're also happy for the property to be let via Airbnb, which some lenders do not allow, as well as offering up to 90 days occupancy per year by the owners.

Current guidelines state owners of a Holiday Let or portfolio of property lets can deduct the cost of a mortgage from any profits before calculating income tax, alongside expenses including council tax, utilities, maintenance, cleaning costs, property management costs and advertising too.

A property must be classified by HM Revenue & Customs (HMRC) as a Furnished Holiday Let, however, to qualify for the tax relief.

But, despite the obvious tax benefits and the fact there may be customers who have the necessary funds to invest in a holiday home, many are unaware that it could financially pay off for them in the long run. So, this is certainly something for brokers to consider when talking to the over 50s about potential ways to invest money.

Conclusion

Sam Hartrey
Propositions Manager for Hodge

The Tired of Retirement report is a great example of why research is so important when building a deep understanding of customers and the changing world they live in.

It also highlights Hodge's commitment to using insight as the driving force behind our business and the decisions we take. To really understand what customers want, we have to take subjectivity and guess work out of the process, which will help us reach our ambition of being a truly customer-centric business.

We're already seeing the benefits of insight for both customers and brokers with products such as holiday let and retirement interest only mortgages, along with the introduction of our digital broker portal.

Through ongoing investment in research we can truly understand the needs of customers and brokers. To do this we hope to see more brokers signing up to our broker panel and joining us on the journey to gaining a better understanding of customers, brokers and the communities in which we operate.

We're excited to share what we learn and firmly believe positive change will happen quicker if lenders and brokers work together – we want to collaborate with you to make a difference for customers and society.

lendingsupport@hodge.co.uk
0800 138 9109
hodgebank.co.uk/intermediaries

@HodgeBank Hodge for Intermediaries