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GRANDPARENTS IN DEBT TO TUNE OF £47 BILLION

- **1 in 6 retirees (1 million) still have a mortgage**
- **1 in 3 of those with a mortgage owe more than £50,000**
 - **Average outstanding debt is £45,313**

New research from Scottish Widows Bank¹ reveals one in six (over 1 million), pensioner homeowners in the UK have an outstanding mortgage on their home – each with an average debt of £45,313 – making a nationwide debt of almost £47 billion. What is more, one in three owe more than £50,000 and one in ten more than £100,000 putting increased pressure on retirement income.

Murdo McHardy, Head of Product Development and Marketing at Scottish Widows Bank says: “Our research shows that by the time they come to retire a significant number of pensioners still have a mortgage outstanding on their property, adding pressure to their hard earned retirement fund.”

The study also shows that many pre-retirees (aged 55 to 65) are a long way from owning their own home – suggesting that the trend of retirees still being burdened by monthly mortgage repayments is likely to continue. Of those in this age bracket who are working full time over half (51%) still have a mortgage with an average debt of £61,856.

The size of outstanding debt that pre-retirees have appears to be linked to the amount of income they receive. Findings reveal that four in ten baby boomers (those aged 55-65) who have an annual income over £40,000 still have a mortgage, compared to only 18 per cent of those with an annual income of less than £20,000. Over half of people (56%) with an income over £40,000 have more than £50,000 debt outstanding, twice as many as those with an income of less than £20,000, where only one in five have more than £50,000 debt outstanding.

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Murdo McHardy continues: "It is of course a little surprising that people who have a higher income also tend to have larger liabilities. But it is important for those people who will be reaching retirement in the next few years, and still have debt outstanding on their mortgage, to consider how best to prepare themselves for the eventuality of having to juggle their debts on a reduced income when they stop working.

"With more and more people taking out mortgages later, and paying them off later, we are seeing many people turning to the equity in their home as a method of providing income in retirement². The knock on effect of getting on the housing ladder later is that money that could have been put into a pension is being used on monthly mortgage payments. This trend is only going to continue to grow for as long as first time buyers struggle to get onto the housing ladder before the age of 35."

ENDS

1: Research conducted online by YouGov from August 2005. 1472 people aged above 55 were interviewed.

Office of National Statistics shows 74% of those aged 65 to 74 own their own home with or without a mortgage – and 62% of those over 74 do.

Those aged 65 to 74 = 4,935,000
Those aged 75 and above = 4,535,000
Source Govt Actuarial Dept

16% of pensioners still have a mortgage outstanding or 1.76 million

Therefore

$4,935,000 \times 74\% \times 16\% = 584,304$
 $4,535,000 \times 62\% \times 16\% = 449,872$

This means we have 1,034,176 pensioner homeowners still with a mortgage

Average debt of £45,313

- 72% have a debt between £1 and £50,000 (assume average of £25,000)
- 15% have a debt between £50,000 and £100,000 (assume average of £75,000)
- 8% have a debt between £100,000 and £200,000 (assume average of £150,000)
- 1% have a debt between £200,000 and £250,000 (assume average of £225,000)

$(72 \times 25,000) + (15 \times 75,000) + (8 \times 150,000) + (1 \times 225,000) = 4,350,000$
 $4,350,000/96 = £45,313$

Making a total debt of £79.75 billion.

Average debt of those in the 55-65 age bracket who are still working

- 55% have a debt between £1 and £50,000 (assume average of £25,000)
- 27% have a debt between £50,000 and £100,000 (assume average of £75,000)
- 11% have a debt between £100,000 and £200,000 (assume average of £150,000)
- 3% have a debt between £200,000 and £250,000 (assume average of £225,000)

- 1% have a debt between £250,000 and £300,000 (assume average of £275,000)

$(55 \times 25,000) + (27 \times 75,000) + (11 \times 150,000) + (3 \times 225,000) + (1 \times 275,000) = 6,000,000$
 $6,000,000/97 = £61,856$

2: Lending in the final quarter was worth £282 million, compared to £273 million in the preceding three months. In the second half of the year, when the market is usually stronger, equity release lending was 13% higher than in the first six months, at £556 million – CML stats from February 2006

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