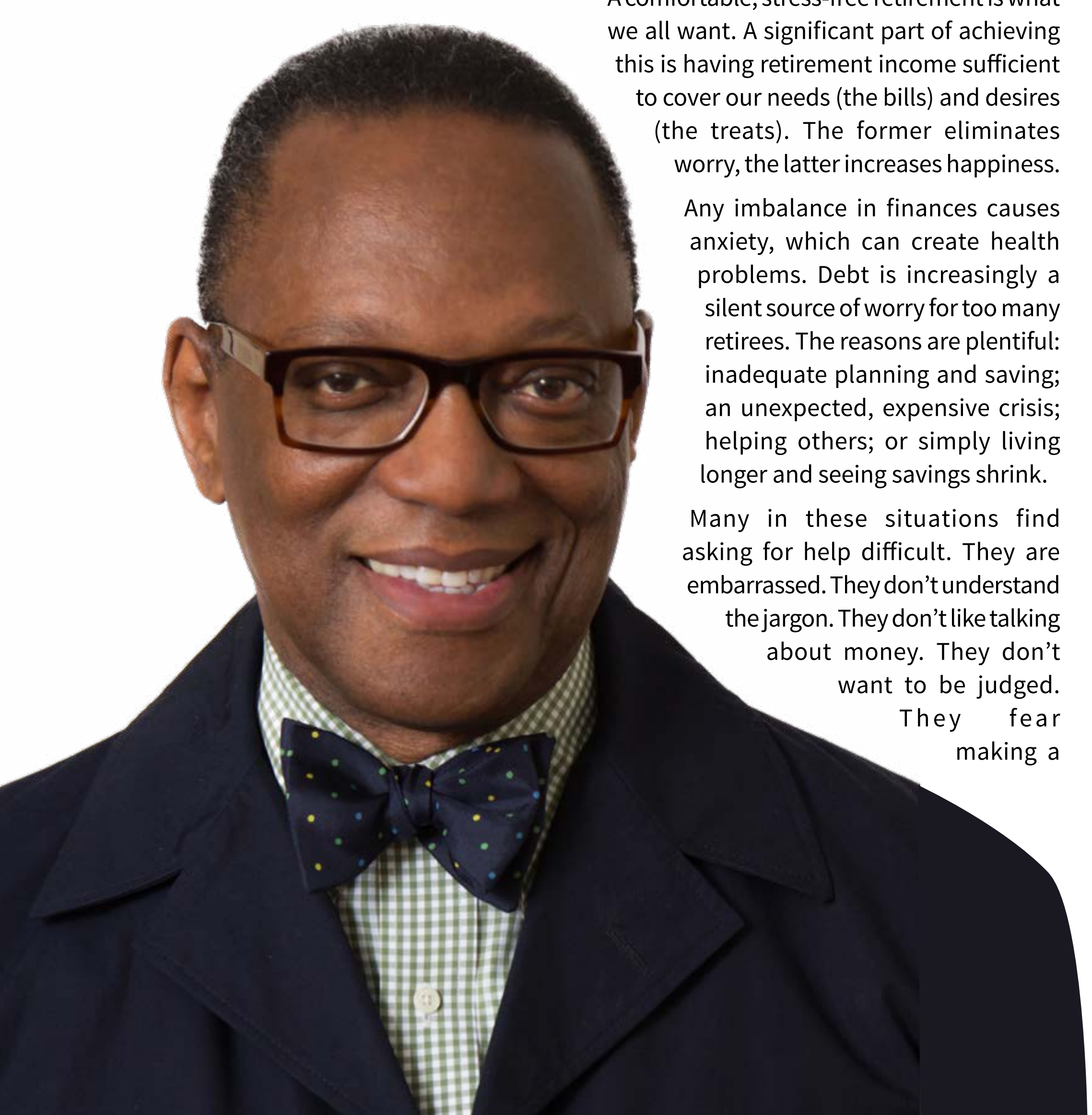
Key Retirement

MANAGING DEBT IN RETIREMENT

Introduced by **Alvin Hall,**
independent financial expert

Introduction
Alvin Hall, independent financial expert



A comfortable, stress-free retirement is what we all want. A significant part of achieving this is having retirement income sufficient to cover our needs (the bills) and desires (the treats). The former eliminates worry, the latter increases happiness.

Any imbalance in finances causes anxiety, which can create health problems. Debt is increasingly a silent source of worry for too many retirees. The reasons are plentiful: inadequate planning and saving; an unexpected, expensive crisis; helping others; or simply living longer and seeing savings shrink.

Many in these situations find asking for help difficult. They are embarrassed. They don't understand the jargon. They don't like talking about money. They don't want to be judged. They fear making a mistake or being swindled. The result, inaction, just creates more worry.

There's a saying from my childhood I tell those who feel trapped by debt: We can't change our past, but we can change our future. Breaking through what's created worry and understanding the problem is the only way to move forward.

Magical solutions don't exist. Practical solutions do. There are many available. Each has its pros and cons. Learn what your options are. Choose whichever works best for your situation.

Remember, when tackling debt, you must deal with more than numbers. You must also examine your mindset; you need to understand and take control of the emotions, pressures and misunderstandings that helped create the problem. If you don't, both problem and worry may find you again. And it's likely to be worse and more complicated second time around.

The key to solving debt is finding the strength to ask for help. Just starting the process will lift some of the burden. Given the emotions that can underlie the situation, it's usually best to talk to someone – whether relative, friend or professional. This conversation can be reassuring, especially if it explores the available debt relief options too. However, it mustn't replace reading and fully understanding the details of your chosen option. Don't rely on what you're told; rely on what you read. Always ask about things you don't understand or that need further explanation.

Act in your own best interest. You need clear, concise information from which to make a decision about relieving your debt burden. Remember: the best gift you can give yourself, your children and relatives, is your own worry-free, financial security.

Key Retirement

Why we've created this guide

Debt is a challenging issue for those of us nearing and entering retirement. The figures across the following pages show that all too clearly.

It's also something that Key Retirement is passionate about resolving. We are equity release advisers and retirement planning specialists, which is why we've produced this guide to managing debt in retirement; identifying what it is, how it happens and how you can tackle it.

Getting retirement ready is a big task. We want you to have the best, most enjoyable, stress and worry-free retirement possible. Inside this guide you'll find ways to save money, make extra cash and manage what debts you do have more effectively.

We'll do everything we can to give you the retirement you deserve.

The Key Retirement team

THE DEBT LANDSCAPE

Retirement should be a time to relax, having shed the burdens of our working lives. However, debt is making this increasingly difficult for many retirees

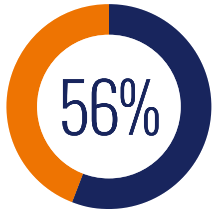
As a nation, the British are famously reluctant to talk about money. Perhaps that's why the issue of debt in retirement isn't discussed as openly as it should be. However, not only is it a problem, it's a growing one.

The reasons are many; from longer life expectancy draining limited resources to unexpected events surprising even the most organised of savers. And if this is something concerning or affecting you, you're not alone.

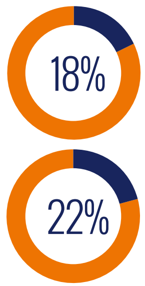
£125,000

The average sum owed by
65 to 74-year-olds with a mortgage*

As many as 56% of 75 to 84-year-olds with a mortgage are expected to have interest-only mortgages.



Among 65 to 74-year-olds it's 37%. Some will struggle when the capital repayment is due*



Among the over-70s, 18% are worried about the level of debt they have taken into retirement.

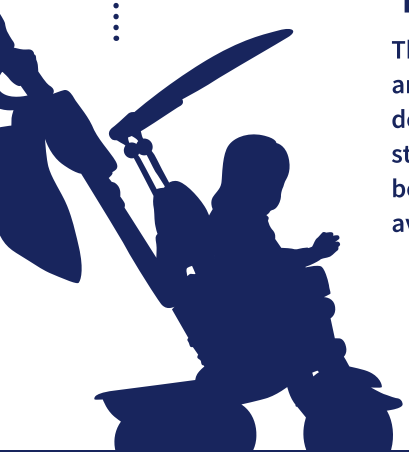
Among over-65s, 22% regret the level of debt they have**

65%

Without their current debts, 65% of over-65s believe they would be living comfortably **

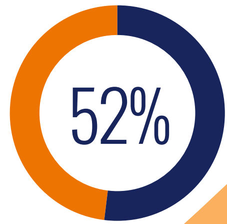
100%

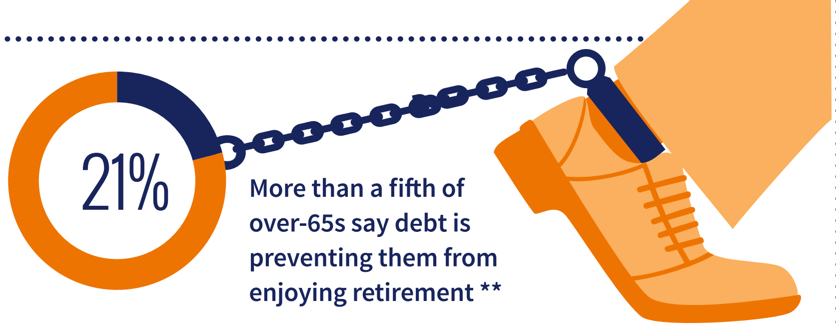
The increase in employment among over-65s during the last decade. The figure currently stands at 1.2million. Many will be continuing to work to either avoid or pay off debt*



The amount or more per month that 8% of over-65s are spending on debts other than mortgages**

More than half of over-65s made efforts to cut debts before retiring. Of them, 36% considered themselves successful but 11% believed they failed **





More than a fifth of over-65s say debt is preventing them from enjoying retirement **

*Cebr/Rostrum January - March 2017
**Consumer Intelligence/Money Mail - Jan 2018

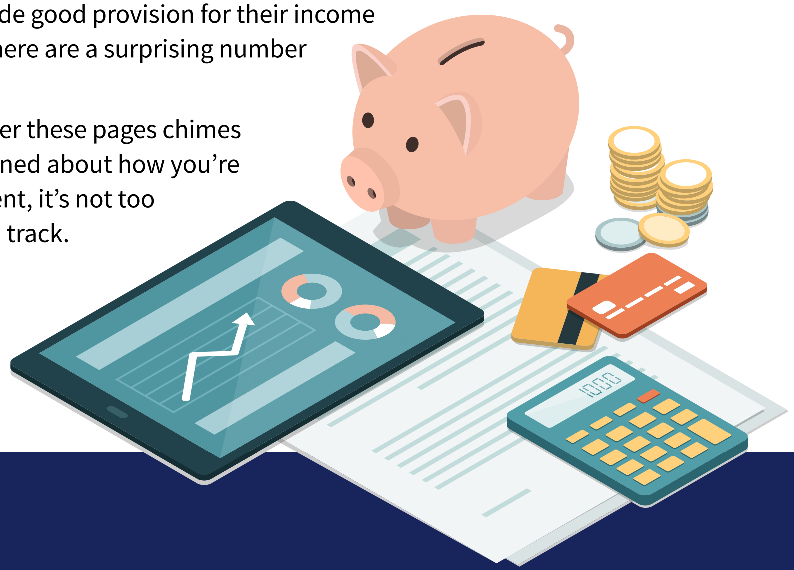
The shape **of debt to come**

Retirement debt isn't just an issue for the over-65s. Those approaching the end of their working lives need to get their houses in order too. Some more than others

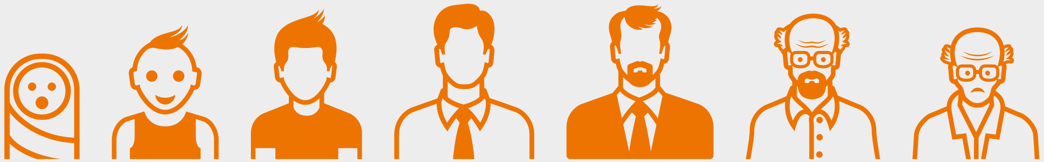
We literally can't afford to be complacent about debt in retirement. The total debt held by the over-65s is expected to more than double in the next nine years, growing from £65bn last year to a staggering £142bn in 2027*. Per person, average debt in the 65 to 74-year-old group is expected to be £22,700*.

However old you are, the main cause of debt is an income that's less than your outgoings. That's easier to resolve while of working age. While many of today's 55 to 64-year-olds have made good provision for their income after they finish working, there are a surprising number who haven't.

If any of what's revealed over these pages chimes with you and you're concerned about how you're going to fund your retirement, it's not too late to put yourself back on track.



50% of 55 to 64-year-olds don't expect to live beyond the age of 80.** This is a significant under-prediction of longevity as currently, at 65, a man's average lifespan is 83.5 years and a woman's is 85.9. These people may find any pension provision they have falling short.



52%
of 55 to 64-year-olds have given their retirement finances a lot of thought.

35%
just over one third (35%) have thought about it a little.

13%
have given it no thought at all.**

23%

of those aged 55 to 64 say they would rather think about today than plan for the future.**

26%

A little over one quarter (26%) of 55 to 64-year-olds with a defined contribution pension do not know how much their pension pot is worth. Three in 10 (30%) state they have a total pot of less than £30,000.**

11%

And despite all this, only 11% of over-55s expect to borrow in retirement.#

You can see how big an issue this is. While a reassuring 58% of 55-64s are happy with their pension provision** that still leaves too many people who have, so far, taken little or no action. And this is before you consider factors such as the clearing of existing debt before retiring, how the repayment of interest-only mortgages will be made by those holding them and how much harder it is to borrow once retired.

As Alvin Hall says in his eloquent introduction, this is a time to be honest with yourself and find practical solutions. Don't leave it too late, ignore your problems or stick your head in the sand. Start planning now. The earlier you plan for your retirement, the better you can make your post-work life.

We hope that what follows will help those who are concerned about the state of their retirement finances to help themselves. And, if needs be, show where Key Retirement can help them too.

* Cebr/Rostrum - January - March 2017
** FCA - Understanding the financial lives of UK adults 2017
# more 2 life - Lending into retirement 2016

Get yourself **retirement ready**

Set yourself up for a better retirement with these ways to manage existing debt

Prioritise payments

Some debts cost more than others. For example, the interest rate on a credit card is typically higher than that on a mortgage, so pay off those with the highest interest first. This could be done by switching to a credit deal that offers 0% on balance transfers. You will need to take time to figure out what each of your debts are costing over time.

PROS

- Cuts the cost of your debt
- Encourages you to build better spending habits
- Useful if you have several debts to repay

CONS

- Can take some time. Consider making minimum payments on lower interest accounts while you aim to pay off the higher interest ones first
- May mean taking on more, albeit cheaper, debts

Talk to your creditors

If you're finding it difficult to make regular repayments on your debts, contact your creditor. In most cases, they will be sympathetic and want to agree a repayment strategy that works for you.

PROS

- Eases the pressure
- Reduces monthly outgoings

CONS

- Reducing payments usually means the loan will cost you more in the long term
- Keeps you in debt longer
- Could damage your credit score

Review your outgoings

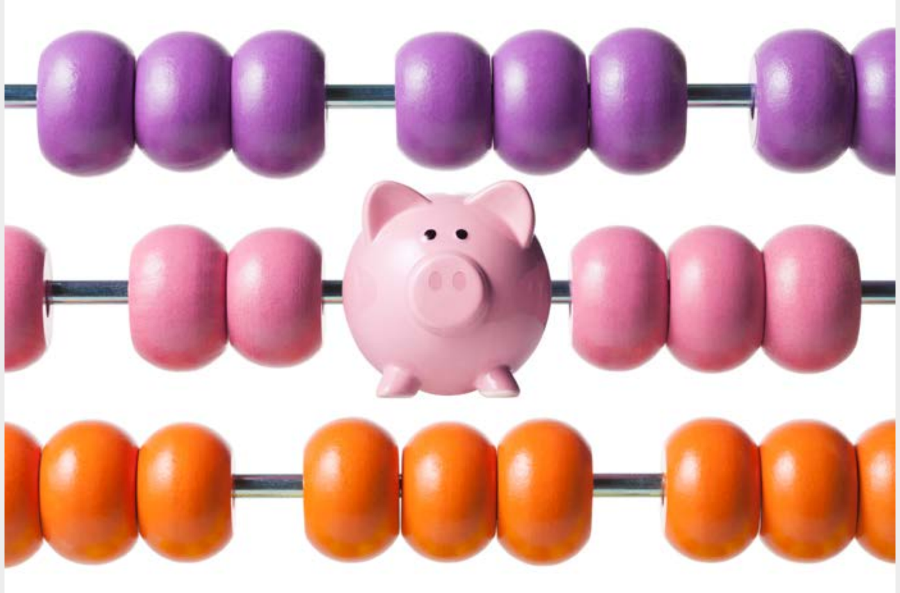
Look at your direct debits and standing orders to see if you're spending money on unnecessary monthly expenses. Do you still need that magazine subscription? Do you still want to support those causes?

PROS

- A quick way of reducing your regular expenditure
- Spot payments you no longer want or need to make

CONS

- Only effective if you're actually overspending
- May require lifestyle compromises



Better budgeting

Get a better understanding of where your money goes each month. A good budget will help you prioritise bills and mean there's more money to put aside for your retirement. See what other providers you might use, whether for food, utilities, insurance or even your mortgage.

There are lots of budgeting and comparison tools out there, from smartphone apps and online resources to diaries designed with budgeting in mind.

PROS

- It will help you make better use of the money you have
- You'll regain control of your spending

CONS

- Although it will reduce your spending, it won't increase your income

Claim what you're due

Well over one million British pensioners who qualify for the Government's Cold Weather Payments and Warm Home Discounts scheme have missed out, with £150m in pensioner benefits left unclaimed.*

Find out what you could claim. You might be surprised what you're entitled to.

Visit gov.uk/benefits-calculators to find out what you could claim.

PROS

- Reduces your monthly expenditure

And once you're retired, don't forget

» At 60 you can claim your free bus pass

» You're entitled to free prescriptions and eye tests too

» When you're 75, you get a free TV Licence

*Royal London Research March 2017

Stop giving money to others

It can be hard to say no, especially when it comes to supporting your family. But your children, particularly, have their whole careers to build up their retirement provision. You no longer do and it's important to remember that charity begins at home. If helping others is something you enjoy, try to find ways that won't drain your bank balance.

PROS

- A good way to stop further reductions in your potential retirement fund
- Also helps setting boundaries with those you've given money to before

CONS

- It's important to say why you are turning down requests for help as refusals can create family tensions

Downsizing

If you're lucky enough to own your current home, you might want to consider selling it and moving either to a smaller property or one in a cheaper area.

PROS	CONS
▸ Depending on your move, this may help you free up a significant amount of money	▸ Likely to be a stressful and emotional process, especially if leaving a home you love
▸ The cost of running your new home may also be cheaper	▸ Don't underestimate the cost of moving, particularly if you're renovating too

Keep earning

It's not unusual to keep earning once retired, whether by taking a part-time job, consultancy role, freelance position or something less conventional, such as cat sitting or dog walking.

PROS	CONS
▸ Keeps mind and body active	▸ Naturally, work commitments will eat into your free time
▸ Can give retirement a sense of purpose, especially if it's something you've always been interested in	▸ Health concerns might make work a struggle

Turn clutter into cash

If, like many, you have a house full of unwanted items, it might be worth deciding what you're willing to part with. Research from eBay has revealed that the average home contains around £1,000 worth of unwanted items.

It pays to do your research, however. Items such as books, DVDs and CDs may only be worth selling in bulk. Others, such as jewellery, comic books and vinyl records might be worth more than you think. Get in touch with your local auction house for a free quote.

A few online sales sites to investigate

» Ebay
» Gumtree
» Facebook groups and marketplace
» Discogs
» Music Magpie

PROS	CONS
▸ Reduces clutter and creates space	▸ Time consuming
▸ You may have something very valuable hidden away	▸ No guarantee that you'll sell your items, let alone make a significant return

Withdraw from your pension pot

This is not something to be done without due consideration. Seek professional financial advice and be cautious.

PROS

- Can provide a large cash lump sum
- You can typically withdraw up to 25% of its value without incurring tax

CONS

- You will be taxed on any withdrawal of more than 25% of your pension pot
- It could push you into a higher tax bracket
- The remaining savings may be diminished by inflation
- Could affect your entitlement to means-tested benefits

Ask for help

Don't suffer in silence. Debt charities offer free support and advice for anyone facing financial difficulties. We've put contact details for various debt charities and helpful agencies on the back of this guide.

PROS

- Provides a support network
- Free guidance and advice

Release the equity from your home

Most long-term homeowners will have built up equity in their homes. If you're one of them and aged between 55 and 95, you may be able to take out an equity release plan. The most common type is a lifetime mortgage, which is a loan secured against your home.

PROS

- Typically, no monthly repayments, as the loan plus roll up (compound) interest is repaid when the plan comes to an end – usually after your death or when you go into long-term care
- Equity Release Council approved plans mean you never owe more than the value of your home

CONS

- Equity release will reduce the value of your estate
- It could affect your entitlement to means-tested benefits
- Could impact on your ability to fund any future long-term care

How did that happen?

Recognising how debt can creep up on you

It's astonishingly easy to sleepwalk into debt. Understanding what its causes might be can help you to tackle it now, before it becomes a problem

Lack of planning

It can be difficult to prioritise retirement savings. You might feel like there are other, more immediate, expenses to focus on, meaning there simply isn't enough money at the end of the month to build yourself a proper retirement fund.

Doing this, however, is likely to create a sharp drop in income once you reach retirement. It could also mean you create new debts or struggle with existing ones, such as your mortgage.

Poor pension management

The introduction of pension freedoms in 2015 has made it possible to withdraw all of your pension fund when you reach the age of 55. This might seem like a good idea at the time – and it isn't always a bad thing to do – but it can lead to a shortfall later on. Now people are living longer than previous generations, retirement income needs to stretch further. As a result, managing your retirement income properly is essential.

Unexpected events

Not everything can be planned for. Sometimes an unexpected life event means spending more than you budgeted for. This might include

- Divorce
- Household repairs
- Illness
- The death of a loved one
- Earlier than expected retirement

These can be stressful circumstances that could create a heavy financial burden. A lack of sufficient savings may mean debt becomes the only option.

Using your **biggest asset**

Property and the equity within it are no longer the hidden answer to money worries

For most of us, the most expensive purchase we're ever likely to make is our home. And so in turn, it often becomes our biggest asset, especially once the mortgage is paid off. With more people discovering that their retirement lives will be longer and more expensive than they once thought, it's not surprising that many are looking at ways to make their biggest asset work harder, providing them with more than just the roof over their heads.

Recent research shows that the over-65s are in possession of more than £1 trillion in property wealth: picture that as a one with 12 zeros after it. Since 2010, retired homeowners have seen their property value grow by 41% on average, or by around £68,500 for every over-65 homeowner.* While there are the regional variations that one might expect, it nonetheless shows that property remains dependable even in these uncertain times. As such, one can see why more and more people are turning to their property assets to boost their finances in later life.

Equity release is an increasingly popular means by which to do this and make the most of the value in your property. Put simply, your equity is the value of your home minus any debt (a mortgage or other loans) you have secured against it. An equity release plan will allow eligible homeowners aged 55 to 95, with property worth £70,000 or more, to unlock some of the cash from their home, most usually in the form of a lifetime mortgage.

Whether equity release is used to clear existing debt or improve one's standard of living, among the benefits of it is the fact that this is tax-free cash. That said, taking equity out of your home may have an impact on your ability to claim means-tested benefits. However, untapping the potential in your home through equity release is likely to be less stressful than downsizing, with the added advantage that this way, you get to stay in your home.

With the long-term housing market still encouragingly robust, equity release is certainly an option that eligible homeowners might want to consider. However, you should always think carefully before securing a loan against your home.

*Citigate data 2017

Equity release at work

Although equity release is not right for everyone, these are three satisfied Key Retirement customers who made it work for them

Having generously supported his daughter during her medical training, Anthony Martyn neglected his own financial needs.

"I kept using credit cards when I was running short and hadn't been able to plan for being £400 worse off each month.

"By the time I had contacted Key Retirement, I had debts of about £90,000. The money I released allowed me to pay off these debts and took a huge weight off my shoulders."

With an interest-only mortgage due for repayment, Key Retirement customer Pamela Harrison wanted to find a way to pay off her existing mortgage and stay in her home of 24 years.

"I didn't want to move. I looked into downsizing but found it too expensive and there wasn't a lot of difference in size. I'm happy to stay in my home; I love my house and I have wonderful neighbours."

Lynne Moore took early retirement at 57 after being made redundant. All her working life she believed she would receive her state pension at 60. Then the government changed the pension age for women to 66.

"My pension covers day-to-day expenses but I've been used to a certain lifestyle. I ran up credit card debts which began accruing an alarming amount of interest.

"Equity release has made such a huge difference to my life – I now feel financially secure."

Key Retirement

What Key Retirement can do for you

Last year we helped 1 in 3 of our customers pay off outstanding debts*

Key Retirement is fully independent and has a team of 130 qualified equity release advisers, covering the whole of the UK and guaranteeing a friendly, local service wherever you live.

We pride ourselves on the personal service we give to our customers. Our advisers come to you, in the comfort of your own home at a time that suits you. Or, if you prefer, we also offer a telephone consultation service.

Your adviser will talk you through the benefits and costs of taking out an equity release plan. Rest assured, if they don't think equity release is right for you, they will say so. We encourage you to include family members in your consultation so they know how their inheritance might be affected, as all plans will reduce the value of your estate.

There are several kinds of equity release plans available. That's why it's important to seek specialist independent advice. Your adviser will explain how the different plans work and, if suitable, will find a plan that's suitable for your personal circumstances.

Key Retirement's advisers use our unique software to find out the affect equity release may have on your entitlement to means tested benefits.

Because equity release is a lifetime commitment, it is usually expected to be repaid on death or entry into long-term care.

Our expert advisers will also help you to understand how the compound interest on a lifetime mortgage adds up, and how the amount you owe can grow quite quickly. Remember, a lifetime mortgage is secured against your home. You should always think carefully before securing a loan against your home.

Key Retirement is a member of the Equity Release Council, which ensures everyone can obtain quality advice on equity release from fully qualified advisers.

*Key Retirement data 2017

Why choose Key Retirement for equity release advice?

We give advice in the comfort of your own home with your local adviser

We'll never pressurise you to go ahead with any plan

100%

We are 100% independent

EQUITY RELEASE COUNCIL
SAFE EQUITY RELEASE
SINCE 1991

We recommend Equity Release Council approved plans

We offer a hassle-free service, helping you with all the paperwork and guiding you through the whole process

We compare the whole equity release market to find the right plan for you

Your adviser will explain how a lifetime mortgage is secured against your home, how equity release will reduce the value of your estate and could affect your entitlement to means tested benefits

Until you decide to go ahead, Key Retirement's service is completely free of charge. Our typical advice fee of 1.95% of the amount released is only payable on completion of a plan.

How equity release helped the Fitzgeralds

When Ninette and Paul Fitzgerald found themselves approaching retirement with an existing mortgage and credit card debt, they were keen to find a solution

With an interest-only mortgage only three years from maturity, Ninette and Paul Fitzgerald started to wonder where they were going to find the £75,000 they owed on it. Like thousands of others, when they took the mortgage out they thought they would be able to pay it off easily. But time ran away with them.

To make matters worse, the couple also found themselves saddled with an additional £25,000 credit card debt.

“It was a stressful time,” Ninette told us. “Not only were we worrying about how we were going to pay off our interest-only mortgage but also our credit card debt.

“We tried to pay the minimum but they just didn’t go down. The interest rate is so high on credit cards that you never seem to pay much off.”

Having decided against downsizing, the couple decided to explore equity release.

“It gave us the answer,” Ninette explained. “It allowed us to stay in our home and pay off our existing mortgage along with our credit card debts.

“I would definitely recommend speaking with an equity release adviser if you have equity in your property.”

“It was a stressful time. We were worrying about our interest-only mortgage and our credit card debt.”

As for dealing with credit card debts, Ninette shared some specific advice. “One of the best things to do is to speak with your credit card company. Let them understand that you’re finding it difficult.”

For a free equity release consultation with your local Key Retirement adviser call

0808 156 2685

or visit **keyretirement.co.uk**

Free helplines

If your debts become too much, or you simply want someone to talk to, any of these agencies can help with confidential and impartial advice.

National Debtline – ***0808 808 4000***

This independent debt advice charity offers free and confidential support. Find out more at ***nationaldebtline.org***

Citizens Advice – ***03444 111 444 (England), 0808 800 9060 (Scotland), 03444 77 20 20 (Wales) and 0800 028 1881 (Northern Ireland)***

Citizens Advice gives help and support that will be specific to the part of the country you live in. You can also find them at ***citizensadvice.org.uk***

Money Advice Service – ***0800 138 7777***

Experts in how to avoid debt and how to manage it if you do find yourself in trouble. Its website also offers a live chat service ***moneyadviceservice.org.uk***

PayPlan – ***0800 716 239***

PlayPlan operates on a straightforward promise: free debt advice for anyone experiencing financial difficulties.
Also online - ***payplan.com***

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