

## Home-ownership in old age: financial benefit or burden?

There is a view that simply because more older people own their homes, they are financially better off than older people used to be. But 40 per cent of people aged 65 and over are *not* home-owners, renting can be as cheap and the values of some homes are quite low. Researchers at the Age Concern Institute of Gerontology, King's College London found:

- f** Owner-occupation among older people has risen but mostly among middle-income people; three-quarters of this income group aged 65-79 are owner-occupiers, compared with half those aged 80+. But over 75 per cent of older people in the lowest fifth of the income distribution and 60 per cent of those in the next fifth do *not* own their homes.
- f** For fifty per cent of home-owners aged 80+ their home is worth at least £70,000 but for 25 per cent it is worth under £47,000, with figures for those aged 65-79 slightly higher. There is considerable regional variation. For older home-owners, median property values in London are roughly twice those in the lowest-value regions (Scotland for people aged 65-79 and Wales for people aged 80+).
- f** Before the abolition of mortgage interest tax relief, 57 per cent of home-owners aged 70+ could have increased their incomes through equity release, the median increase being around £1,100 a year. Equity release could have reduced the proportion of people aged 80+ with incomes below two-thirds the average from 48 per cent to 38 per cent. The ending of mortgage interest tax relief has reduced the benefits of this form of equity release.
- f** Fifty-eight per cent of men aged 80+ are home-owners, 56 per cent of women aged 80+ are not. Of women aged 80+ who are, 64 per cent live alone. Equity release could reduce the proportion of all women aged 80+ with incomes below two-thirds of the average from 51 per cent to 40 per cent.
- f** The average *gross* housing expenditure of owner-occupiers aged 65+ is only £30 a week compared with £52 for renters. But the average *net* housing expenditure of owners is slightly higher than for renters (£30 compared with £27) because only renters receive Housing Benefit.

## Introduction

This study analyses the financial benefits and burdens of owner-occupation looking at two key questions:

- Can owner-occupation provide a usable capital asset as well as meeting housing needs in later life? More specifically, can housing wealth be used to reduce poverty in old age?
- What are the current housing costs of older owner-occupiers and how does this compare with older people living in other forms of tenure?

## Home-ownership and housing wealth

### What proportion of older people own their homes?

About three-fifths of people aged 65-79 and about a half of those aged 80+ are home-owners. Ninety-five per cent of people aged 65-79 and 88 per cent of those aged 80+ in the richest fifth of the income distribution own their homes. But in the poorest fifth of the income distribution 75 per cent of people aged 65-79 and 79 per cent of those aged 80+ are not home-owners. The difference between the two age groups is thus small for those at the lowest income levels. However, it is considerably larger for those on middle incomes: in the middle fifth of the income distribution, just over a quarter of people aged 65-79 do not own their homes compared with a half of

those aged 80+. Growing home-ownership has therefore led to a large increase among middle-income older people.

### Levels of housing wealth

The overall median property value for homeowners aged 80+ is the same as that for those aged 65-79, despite the fact that the incomes of the older age group tend to be lower. There is some evidence that the spread of home-ownership has brought lower value properties into the sector. Among home-owners aged 65-79, housing equity levels are slightly lower than among the older group (see Table 1). This is partly because more of the younger group still have some mortgage outstanding.

Values vary considerably by region. They are highest in London and the South East. They are lowest in Scotland for home-owners aged 65-79 and in Wales for those aged 80+. At £114,000 for people aged 65-79 and £109,000 for people aged 80+, the median values of the homes of older people in London are roughly twice those in Scotland (£55,000, people aged 65-79) and Wales (£57,000, people aged 80+).

The value of housing wealth depends partly on how many people share it. Homeowners aged 80+ are more likely to live alone (52 per cent) than those aged 65-79 (25 per cent). Women are more likely to live alone than men. Of homeowners aged 80+, 64 per cent of women live alone whereas 66 per cent of

Table 1: Owner-occupation, property values and housing equity among older people, by income level, GB 1993-4 to 1995-6

	poorest fifth	2nd	Income group 3rd	4th	richest fifth	Total
<b>Aged 65-79</b>						
not an owner (%)	75	58	26	13	5	37
owners:						
median prop. value (£s)	64,900	56,600	64,200	76,800	108,800	72,100
median equity (£s)	57,300	55,700	62,800	75,900	106,800	71,100
<b>Aged 80+</b>						
not an owner (%)	79	59	50	22	12	51
owners:						
median prop. value (£s)	-	63,600	66,800	87,600	116,300	72,500
median equity (£s)	-	62,300	66,400	87,600	116,300	70,900

Note: Figures for proportions in each fifth of income distribution refer to the all adults distribution of family income after housing costs - sample size too small for reliable estimate.

men live with a spouse and/or others. Among home-owners aged 65-79, 72 per cent of men live with their spouse only compared with 56 per cent of women; 35 per cent of women live alone.

For those aged 80+ living alone, median equity levels are around £70,000. For those living with others, they are about £5,000 higher. A quarter of home-owners aged 80+ have housing wealth of less than about £47,000 (those living alone) or £52,000 (those living with spouse only), but a quarter have equity in excess of £98,000 (those living alone) or £112,000 (those living with a spouse).

**The effect of equity release**

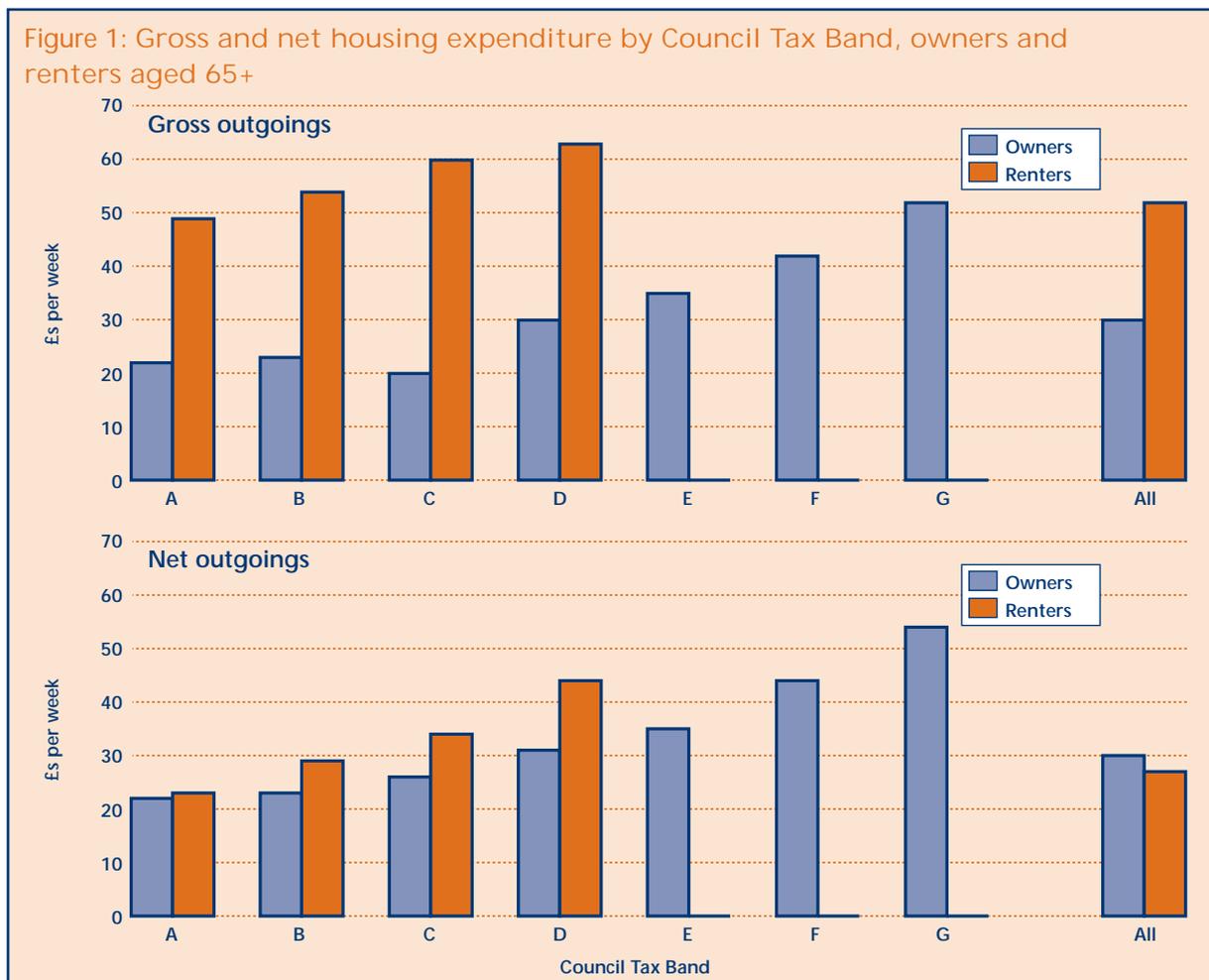
Under a mortgage annuity equity release scheme a mortgage of up to £30,000 is taken out on the home and used to purchase an annuity. Interest, net of tax relief, is paid during the person's life and the mortgage is paid back when the person dies, usually by selling the home. Part of the income from the annuity is taxable and the extra income is taken into

account for assessing means-tested benefits. (In his 1999 Budget the Chancellor announced the abolition of mortgage interest tax relief, affecting mortgage annuity types of equity release schemes taken out after 9th March 1999. This will considerably reduce the benefits from this type of scheme which the study modelled.)

**The effect on home-owners' incomes**

Modelling suggests that 37 per cent of home-owners aged 65+ could gain at least £130 a year (£2.50 a week) from this form of equity release. (An extra £2.50 is often regarded as significant in the context of social security benefits.) Among those aged 80+ this rises to almost 88 per cent. The median annual gain for home-owners who could gain is £950. It reaches more than £2,000 a year for those aged 80+. The proportion of older home-owners benefiting from equity release is highest for the low income groups because the oldest people tend to fall into this bracket: 45 per cent and 47 per cent respectively for

Figure 1: Gross and net housing expenditure by Council Tax Band, owners and renters aged 65+



the two lowest groups compared with 31 per cent for the two highest. Only in the richest income group does the median gain differ much from the overall median, being about 15 per cent higher.

### *The effect on incomes in general*

Looking at the incomes of older people in general, about a fifth (22 per cent) of all those aged 65+ could gain. Among people aged 80+, the proportion reaches 41 per cent. The proportion of all older people who gain rises from 9 per cent in the poorest income group to 29 per cent in the richest.

### *The potential for alleviating poverty*

Among home-owners aged 70+, 27 per cent currently have incomes below 65 per cent of the average. Equity release would reduce this to 16 per cent and could cut the proportion of home-owners aged 80+ in this income bracket from 34 per cent to just 12 per cent.

Equity release would reduce the proportion of all those aged 65+ with incomes in this bracket from 41 to 37 per cent. For those aged 80+ the fall is from 48 to 38 per cent (51 to 40 per cent for women aged 80+).

### *Is owning cheaper than renting?*

One might expect home-ownership in later life to be cheaper than renting once all or most of the mortgage has been paid off. Both owners and tenants qualify for Council Tax Benefit if they have low incomes but tenants also get help with their rents through Housing Benefit. Older home-owners on Income Support can get help with mortgage interest but in later life this is a very small component of home-owners' housing costs. Repairs and maintenance are much larger. Although older home-owners' gross housing costs are much lower than those for tenants, Housing Benefit and to some extent Council Tax Benefit close the gap. Despite large differences in gross costs, differences in net costs are small, particularly for the lower value properties (see Figure 1). So poorer people may find renting less costly than owning in later life because they could be eligible for Housing Benefit.

### About the study

The study is one of two projects on the benefits and burdens of owner-occupation in older age carried out at the Age Concern Institute of Gerontology, King's College London. This study used Family Expenditure and General Household Survey data spanning 1993-4 to 1995-6 to examine the housing circumstances, housing expenditure and housing wealth of Britain's older population. The full report also looks at housing as a form of saving, compares those over 65 with those aged 50-64 and discusses policy issues. The second complementary study investigates whether older people and their families experience and perceive owner-occupation to be an advantage.

### How to get further information

The full report, **Home-ownership in later life: Financial benefit or burden?** by Ruth Hancock, Janet Askham, Helen Nelson and Anthea Tinker is published for the Foundation by YPS (ISBN 1 902633 16 4, price £12.95 plus £2 p&p).