Using the owner occupied home as a pension: attitudes towards housing equity release in 6 European countries

Dol, Kees; Hoekstra, Joris

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Using the owner occupied home as a pension: attitudes towards housing equity release in 6 European countries.

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Workshop 6: Housing and Living Conditions of Ageing Populations

Kees Dol

OTB Research for the Built Environment, Delft University of Technology, PO Box 5030, 2600 GA Delft, c.p.dol@tudelft.nl

Joris Hoekstra

OTB Research for the Built Environment, Delft University of Technology, PO Box 5030, 2600 GA Delft

Abstract

The ageing of European societies and increasing pressure on collective pension arrangements has sparked interest in alternative, more individualised forms of pension provision. Home ownership is regarded as one of these alternatives. Home owners can release housing equity by moving to a smaller owner occupied dwelling or a rental dwelling. Moreover, in some countries, where the pension system is already more individualised, the financial industry has been pioneering so called equity release products, which allow pensioners to supplement their income, while staying in their home. There has been much debate on the desirability of such a way of pension provision, the actual form it should take and the risks involved. However, there is still little (comparative) insight into the perceptions of older citizens on this matter. This paper aims to fill this gap. It presents empirical findings, based on focus group research, on the attitudes towards home ownership, pensions and equity release schemes in six EU countries (Germany, UK, Ireland, Hungary, Italy and the Netherlands). It shows variations in attitudes per country, but also a common awareness that pension systems are under pressure and that there may be a need to tap into the dwelling in order to meet financial needs in old age. At the same time, there is still much suspicion against complex financial products such as equity release schemes. Consequently, there is a need for independent platforms that endorse products through, for instance, a quality label.

Key words: Pensions, home ownership, housing equity release

1. Introduction

In the late 1990's, Francis Castles suggested a trade-off between home ownership and welfare (Castles, 1998). He found empirical proof that countries with high rates of owner occupation usually provide basic social welfare, while countries with large public (social) housing systems operate much more comprehensive social welfare systems. The main idea behind Castles thesis refers to pension provision. In those countries with high proportions of owner occupation, households do not require a high rate of income replacement at retirement, because they usually live for free, after having repaid their mortgaged loan. Such countries usually have a more liberal political ideology, which results in a relatively little developed welfare state and pension system. This contrasts with countries with a social-democratic or corporatist ideology. The latter systems usually operate more generous and comprehensive welfare and pension systems. Whereas Castles provided some empirical proof for the trade-off thesis, the idea wasn't entirely new. Already in 1981 , Jim Kemeny also suggested a relationship between high proportions of home ownership and basic pension provision in countries with a liberal ideology.

Against the background of demographic ageing in Western societies, policy makers and academics in countries with well-developed pension systems have become more aware of looming pension funding problems. In this vein, the term Asset Based Welfare gained currency. The idea of asset-based welfare is that people can organize their own welfare arrangements when they have sufficient assets available. Asset-based policies provide needy households with the means and opportunities to accumulate assets and have greater control over their livelihoods (Elsinga and Hoekstra, 2015). According to Sherradan (2003), asset-based policies have a more profound impact on individuals than welfare policies that are based on income transfers. They will empower people to act

strategically and proactively. For instance, people may use their assets to invest in training in order to avoid possible redundancy. The so-called egalitarian liberal tradition and the basic income/capital approach are also strongly connected to ideas of asset-based welfare (Prabhakar, 2018).
During the 1990's, the idea of asset-based welfare was embraced by those that supported the neo-liberal trends towards more liberalisation and government retrenchment from the public sphere. After 2000 it also received much attention from the field of housing. Housing researchers were already aware of Castle's trade-off hypothesis, but they increasingly started to recognize the potential role of home ownership as a solution for the upcoming pension crisis in the social democratic and corporatist societies (see Toussaint and Elsinga, 2009; Doling and Ronald, 2010; Doling and Elsinga, 2013). The idea of (home ownership) asset based welfare also became more viable against the background of a general increase of home ownership rates in countries that were previously regarded as 'rental systems'. For instance, the Netherlands and Sweden, often considered as poster boys for universally accessible non-profit rental systems, experienced marked increases in home ownership, from around 45% in the early 1990's to a figure close to 60% in 2010.

Alongside the recognition that outright home ownership provides a 'free' roof over one's head, there was also an increasing awareness that the release of equity in the dwelling can provide retirees that rely on small (public) pensions with a significant pension supplement. From the late 1980's, it had already become possible in some countries to take out a consumer's loan which was mortgaged on the dwelling, but this was not an attractive and feasible option for retirees who had little means to support the (monthly) interest payments. One way to overcome this cash-poor, asset-rich dilemma is to sell up and move. However, many older home owners have a strong attachment to their current dwelling and the decision to move is often not lightly taken. The introduction of new financial products in several countries now allows older home owners to release housing equity while remaining in the dwelling. These financial innovations are known as Equity Release Schemes (ERS).

The most common equity release products are reversed mortgages and home reversion schemes. In a reversed mortgage, older home owners take out a (extra) loan on their dwelling (paid out in a lump sum or in monthly payments) that does not need monthly loan repayments nor monthly interest payments. The interest that is due is added to the total amount of the loan. The loan is only repaid when the dwelling is sold after the home owner passes away or moves to residential care. Reversed mortgages, also called life-time mortgages, are common in the United Kingdom (the most developed European market of equity release products) but also figure in a number of other countries such as Italy, The Netherlands and Ireland. A second financial product that allows older home owners to release housing equity is the home reversion scheme. In such a scheme, the home owner sells all or part of the property to a financial institution who will pay a lump sum in return. This lump sum is considerably lower than the market value of the share of the dwelling that is sold but in exchange for this the home owner has the right to remain in the dwelling for the rest of his/her life. When the property is sold, after the home owner has passed away or moved to residential care, the financial institution will receive a sum of money equivalent to the part of the dwelling that it owns. Home reversion plans are the most common equity release product in Germany but they play a less important role in most other European countries.

Although many contemporary policy makers share a widely held belief that involvement of commercially driven enterprises potentially results in cost efficiency and a wide range of decent products, there is also concern about the risks involved with ERS. A very detailed study about ERS in

Europe (Reifner et al, 2009) indicated that there is certainly room for improvement with regard to equity release products. Many ERS products are rather complex and potential consumers often cannot oversee the financial implications when they choose for a product. However, empirical evidence on the way in which older home owners perceive housing equity release in general, and the use of ERS in particular, is lacking. Most of the housing asset-based welfare research refers to a more conceptual and theoretical level. Investigations into the practical aspects of housing equity release, and the strategies of individual households that want to release housing equity, are scarce, particularly so in a post-crisis context. A notable exception to this is a recently published research report for the European Union that was produced by a consortium of European Universities (Al-Umaray, et al., 2018) of which the authors of this paper were part. Based on focus group research, this new research report provides insight into the strategies and perceptions of older home owners in six European countries: United Kingdom, Germany, The Netherlands, Ireland, Italy and Hungary. The main findings of this report are discussed in the remainder of this paper.

The paper is organised as follows. First, we elaborate a bit more on the various pension systems that are operated in the European Union. These variations in pension systems show that the urgency of the 'oncoming pension crisis' varies per pension system. Furthermore, the Global Financial Crisis of 2008-2013 has possibly accelerated the urgency to acknowledge looming pension funding problems. The next part presents a literature review of attitudes towards home ownership and equity release from the consumer's perspective. The paper then continues with a brief explanation of the methodology of the European Union research project . This is followed by a presentation of the main findings of our research.

2. Literature review: home ownership, pension systems and equity release

Backgrounds to home ownership and pension systems in the six countries

The institutional context and cultural norms form the background against which international comparisons are made. For this reason, we give a short overview of the main features of home ownership, housing wealth and the pension system in each of the six countries under study.

In some countries (Hungary, Italy) outright home ownership is common, giving a significant proportion of (older) households the opportunity to release equity. The data in table 1 refer to the entire population i.e. all age groups. Usually households in the pre-retirement age have a higher propensity to be an outright owner than the data in table 1 depict, because they have repaid the mortgage. The Netherlands has a relatively small proportion of outright owners but this is the 'inheritance' of a system that allowed unlimited deduction of paid mortgage interest on taxable income. As a result of the tax relief and relatively small costs of mortgages, many older households prefer to keep some liquid assets (bank account, shares) rather than to use it for repaying the last parts of their mortgaged loan. The role of affordable (subsidised) rental housing should not be underestimated as an alternative for older people on low incomes who never had the opportunity to enter the owner occupied market. The Netherlands and the UK still have relatively large social (affordable) rental sectors, while Germany operates a decently priced (regulated) private rental system.

Table 1 Tenure distribution of population in %, 2016*

	Owner with mortgage	Owner without mortgage	Rental
Hungary	16.3	70.0	13.7
Italy	15.9	56.3	27.7
Germany	26.2	25.5	48.3
Netherlands	61.0	8.0	31.0
Ireland	32.9	36.8	30.2
UK	35.5	27.9	36.6

*These Eurostat data are on the personal level. When measured on the household level, the owner occupied sector is usually somewhat smaller because relatively many households with children reside in the owner occupied sector.

Without giving a detailed account of the structure of the pension system per country, a few general remarks can be made[1]. The pension systems are usually divided into three 'tiers':

- Tier 1: State/public pensions. In simple terms, this provides all older inhabitants of a country with social security (minimum) income. The current young population pays for the tier 1 pensions of the older generation, which is referred to as pay-as-you-go.
- Tier 2: Mandatory savings/contributions. This tier aims to provide people with additional pension income, based on mandatory income related contributions and/or savings. The second tier contributions/savings can be directed towards a collective private or public pension fund or they can be transferred to the state though taxation (pay-as-you-go). In case a country opts for second tier pension funds, this often results into the accumulation of massive investment holdings by these pension funds. However, it should be noted that all future pension requirements needs to paid by the these pension funds.
- Tier 3: Voluntary savings/investment. In this system people are free to decide how much and in what form they accumulate assets. This can be private savings or participation into investment funds and pension funds.

In most countries, all tiers are visible in the pension system albeit in different proportions. Countries with a strong presence of a tier 1 in combination with a tier 2 pay-as-you-go system are relatively vulnerable to demographic ageing.

Without going into all the details of pension systems, it is possible to say that more liberally oriented countries usually have a strong first tier component in their pension systems, with additional pension entitlements being accumulated via the voluntary third tier (commercial) private pension schemes or voluntary occupational pensions. Within our study, the UK and Ireland are good examples of such countries. The continental European countries usually run a state pension system that combines the basic income of the first tier with a pay-as-you-go second tier. Within our study, Germany, Italy, Hungary are examples of such countries. In the Netherlands, the second tier is very important and represented by some very large collective pension funds rather than by a pay-as-you-go system.

Table 2 gives an overview of gross pension replacement rates of the first and second tier for different income groups. It is clear that Hungary, Italy and Germany run a system where replacement rates are distributed equally across all income levels. In the Netherlands, replacement rates slightly go down if

[1] Based mainly on the annual OECD reports "Pensions at a Glance' and/or 'Pensions Outlook'.

incomes increase, while in Ireland and the UK this negative relation is much stronger. The UK and Ireland thus show the characteristics of a liberal system, where the lowest incomes receive a relatively high replacement rate but where the middle and higher income groups need to turn to private pension accumulation (tier 3) in case they aim for a high replacement rate. Interestingly, Germany has a rather low replacement rate. The replacement rates form an important background to the results from the focus groups. It can be expected that small replacement rates collide with more interest in other retirement funding options, including home ownership.

Table 2 Gross pension replacement rate, from first and second tier, multiple of the mean income

Percentage of mean income	**50%**	**100%**	**150%**
Hungary	58.7	58.7	58.7
Italy	69.5	69.5	69.5
Germany	37.5	37.5	37.5
Netherlands	94.0	90.5	89.3
Ireland	69.5	34.7	23.2
UK	44.4	35.2	29.1

Source: OECD, 2015 (Pensions at a glance)

Attitudes towards home ownership and equity release

So while the previous information indicates that some national pension systems are expected to cope better with demographic ageing than others, there is widespread agreement that ageing will have an impact in all countries. Even those countries with huge investment capital by pension funds will experience pressure on the first tier public pension component. The question then is how owner occupation can play a role in an environment of increasing budgetary pressures on pension and old age care provision.

As indicated, such broad questions have already received much attention in the housing literature. The objective of this study is to have some more insights into the attitudes towards home ownership and equity release. This forms a stepping stone to the equally important question how specific equity release schemes are received by the prospective consumers. Some literature is already available on the attitudes towards home ownership and equity release as a pension provision and we will briefly present the main findings. However, the available literature mostly dates from before or just after the onset of the Global Financial Crisis. Our empirical research tests whether these findings are still valid, as much has changed since then. The main gap in the knowledge relates to the reception of specific equity release products by the potential consumers. The influential report by Reifner (2009) indicated that there was little and/or scattered information on this available and we aim to fill this gap.

The available literature on attitudes on housing equity release as a pension provision shows that many Europeans regard housing as a solid investment which, in some countries, is even preferred to investment in private pension funds (see Doling and Elsinga, 2012; Toussaint, 2012). Especially in the UK, negative experiences with (third tier) private pension funds have made the public wary of joining these formal pension schemes. These studies also show that many older Europeans regard the owner occupied dwelling as an asset that provides free housing services (income in kind from housing).

However, many are reluctant to tap into this asset by moving to a rental dwelling or by using an equity release scheme (Elsinga and Doling, 2012; Toussaint, 2011). Some may want to keep the housing asset intact as a precautionary nest egg that can be used when it is really needed, especially so in countries where old age care is not always guaranteed by the state. Furthermore, it is important to recognize that the owner occupied dwelling is regarded as a cultural ideal in a number of countries. Usually the old family home is surrounded with memories of raising children while it is often still the place where extended families have their meetings (see Doling and Elsinga, 2012). In many cases, older households also consider it their (cultural) duty to leave the dwelling as a bequest to their children or other relatives.

In somewhat more concrete terms, Toussaint (2011) mentions several aspects that are relevant when authorities aim to use owner occupation as a solution for pressure on pension systems.

1. Consumption of housing equity often feels as a loss for older people. On most cases they will try to avoid it.
2. If housing equity is consumed, this can undermine the support of relatives who were expecting to inherit the dwelling. This is particularly important in countries with a little developed welfare state and a strong degree of familialism.
3. After the Global Financial Crisis, the trust in financial markets declined. Mortgage providers will need to improve their trustworthiness (see also Reifner et al, 2009). This might be possible through a degree of regulation or by increasing involvement of non-profits and/or governmental organisations.

These dimensions form a point of departure for the first part of the empirical study, which investigates attitudes towards equity release as pension provision. Whereas previous studies show a general reluctance of older households to tap into housing equity (aspect 1), the global financial crisis has changed the playing field. Government budgets are under pressure and it has now become clear that most pension systems face problems for the future. In most EU countries the retirement age has been raised and there is much public debate on pensions. These developments may have influenced the general attitude towards using housing equity in old age.

The second point will also be explored further, by investigating under which conditions older people might use housing equity with the risk of leaving a smaller bequest. How strong is the ‘pro bono’ solidarity?

Third, it is very relevant to have some more insights in the financial products that might be accepted by older people in the different countries. Whereas financial experts might be able to design ‘risk free’ products, these might be quite complex, leading to mistrust and little acceptance amongst the potential consumers (see Reifner, 2009). We investigate how people react to certain equity release products. Furthermore, we aim to find an answer whether transparency and trustworthiness can be improved through involvement of governments and/or non-profit organisations (see Reifner, 2009).

3. Methodology and data collection[2]

This paper gives insight into the potential role of housing equity as a pension provision in six countries: Germany, Hungary, Italy, Ireland, the Netherlands and the United Kingdom. The research findings are based on so-called focus groups in which several predefined topics were discussed with a group of predominantly older home owners. In total, three focus groups took place in each of the six countries. Two different kind of focus group were organized. The first two focus groups involved a general exploration of attitudes towards home ownership and the use of housing equity as a retirement provision , whereas in the third focus group aimed to reveal the participant’s appreciation (and perceptions) of a selection of equity release products.
In order to ensure a high level of comparability between the countries, the same interview guide was used in all participating countries. The aim was to have about 8 to 10 participants per focus group. Previous experience with focus group shows that in larger focus groups, the shy or less articulate participants are often not heard. It was left to the researchers in the individual countries to recruit the participants, who in principle had to be home owners aged above 55. The focus group participants were recruited via consumers organisations and through the networks of the participating universities. In some countries, (some of) the participants of the first two focus group discussions were also recruited for the third focus group.
All focus groups discussion were recorded with an audio device and sometimes also with a video device. Based on these recordings, full transcripts of the discussion were made (in the national language). Furthermore a 10 to 15 page summary with the main findings was produced for each focus group.

Composition of the focus groups
Table 3 gives an overview of the participants of the 18 focus groups. In most countries, it was possible to form two focus groups with about 6 to 9 participants. In Hungary, the focus groups were somewhat smaller than that, whereas in Italy they were somewhat bigger. In Italy and Ireland, the researchers decided to organise focus groups in two different locations, because they expected different results between larger cities and smaller cities. The large majority of the focus group participants were home owners with an age above 55. Not all participants were retired yet and therefore able to report a first-hand experience with retirement income and the role of housing assets. Nevertheless, the participants were generally old enough to have thought about retirement.

Given our research focus on releasing housing equity, it is important to know how much equity the participants have accumulated in their dwelling. In most countries, all or almost all the focus group participants had repaid their mortgages entirely. The Netherlands is an exception which is mostly motivated by fiscal reasons (see ‘background’ section). Only about a third of the Dutch participants had actually repaid the entire mortgage debt. Some had a debt of around 50,000 Euros, but there were also people with outstanding mortgage debts ranging from 160,000 to nearly 400,000 Euro’s. Still, the overall finding is that the vast majority of the focus group participants have accumulated a considerable amount of equity in their dwelling. Therefore, the topic of housing equity release is of utmost relevance for them.

[2] The text in this Section and the next Section is a stylised summary of chapter 6 of the report that the authors of this paper prepared for the European Union (see Al-Umaray et al., 2018).

Table 3. Number of participants, location and age distribution of the 18 focus groups

	Number of participants	Location	Age distribution (min-max)	Participants without mortgage
Hungary 1	9	Budapest	61-75	All
Hungary 2	3	Budapest	74	All
Hungary 3	4	Budapest	Above 60	All
Italy 1	15	Parma	56-83	Large Majority
Italy 2	9	Rome	57-77	Large Majority
Italy 3	12	Parma	56-81	Large Majority
Ireland 1	10	Waterford	Predominantly > 55	Large Majority
Ireland 2	7	Dublin	Predominantly > 55	Large Majority
Ireland 3	10	Waterford	From 30 years, mostly above 50	Large Majority
United Kingdom 1	7	Belfast	63-75	Large Majority
United Kingdom 2	6	Belfast	51-90	Large Majority
United Kingdom 3	6	Belfast	62-80	Large Majority
Germany 1	8	Hamburg	65-82	Large Majority
Germany 2	9	Hamburg	51-69	Large Majority
Germany 3	8	Hamburg	52-72	Large Majority
Netherlands 1	8	Delft	Mainly 55-75	Minority
Netherlands 2	8	Delft	Mainly 55-75	Minority
Netherlands 3	7	Delft	55 and above	Minority

Source: Al-Umaray et al., 2018

4. Results of the focus groups

This Section discusses the main results of the focus group discussions. Subsequently, the following topics will be dealt with:

1. Attitudes towards home ownership and bequest
2. Current retirement income and the role of home ownership
3. Attitudes towards different forms of housing equity release
4. Consumers' perception of the market for ERS

4.1 Attitudes towards home ownership and bequest

Attitudes towards home ownership

The international literature (see Elsinga and Hoekstra, 2005) shows that the meaning of home ownership clearly differs between countries. In Ireland, Italy and the UK, participants voiced strong cultural and emotional preferences for home ownership. An Irish participant explains this from the historical context in which many Irish were tenants of land which led to a lot of insecurity: *"I have no doubt that ownership is in our genes and will be in them for many generations, I have no doubt the insecurity of the (land) tenure moved us to house ownership or property ownership. Deep into our genes, ownership is important, as well as passing it on. Whatever way you pass it on (Ireland)".*

An UK participant spontaneously ties the (British) home ownership ideal to bequests: *"Buying a house isn't an option for everyone, but I think it's an ideal aspiration to try and find steady work and to be able to pay your mortgage off on time and leaving it behind for your family (UK)".*
Italian participants also referred to cultural reasons: "*I bought a property for cultural reasons because in the place where I grew up living in your own house was a sign of civilization (Italy)*".
The most noteworthy contrast to such ideals was found in Germany, where participants do not remember being in a hurry to buy a dwelling. Neither do they experience peer pressure when they do not do so. The well-developed rental market that characterizes the German housing system likely offers an explanation for this (Haffner et al. , 2009).
Apart from cultural reasons, motives for becoming a home owner may also be of a financial nature. Contrary to renting, home ownership is regarded as an investment in asset-building. Comments such as the following illustrate this view: *"I chose to buy a house because paying a rent seemed to me as throwing money out of the window (Italy*)" And: *"Well, homeownership - you are putting money into your own financial benefit rather than in someone else's (UK*)". Investment motives are often part of buying a dwelling: *"My idea was, I buy a house and if things go well the house increases in value. (Netherlands)".* Finally, the focus group participants also mentioned the high costs of the private rental sector and restricted access to affordable (social or public) rental dwellings as a reason for becoming a homeowner.

Attitudes towards bequest

A factor that can significantly reduce the willingness to release housing equity is the bequest motive. Several previous studies (e.g. Toussaint, 2011) have suggested that bequest motives may form an impediment to the release of housing equity. In the focus groups, we have investigated whether this really is the case (see also table 4).
Overall, many participants indicated that leaving a bequest would be positive, although it is not something that should be strived for at all cost. One notable exception is Hungary, where participants were very much in favor of leaving a bequest, especially the family dwelling. Also in Italy, the participants indicated that family and inheritance are traditionally important. However, it was observed that the influence of these factors is gradually declining. Still, the majority of the Italian participants affirmed that leaving a bequest to relatives is a moral obligation, even for those that do not have any children. "*Leaving a bequest is leaving part of myself to my children, it is a way of staying alive after death " (Italy).* At the same time, some Italian participants realize that they may have to use their assets for their own needs: "*I do not have children but I have nephews. Because of the mentality and the values that my parent transmitted to me, I would like to leave them something also because they are living in a difficult historical period. But this bequest is constrained to the needs that I will face (Italy)*". Apart from the perspective of inheritance as a moral obligation and traditional value (predominant in Hungary and Italy), three additional perspectives on leaving a bequest were visible in the other countries.
The first perspective revolves around the idea that leaving a bequest is good, but not at all cost. *"I want to but I don't have to. I will not save just for this reason (Germany)".* "*We don't save for our children. Let that be clear (Netherlands)".* Moreover, children are not always expecting a heritage. According to a participant who had used an ERS "*When we were taking out this equity release product, my children didn't care about the money and they don't care even now. They were like live your life. But I wanted to leave something for them…. (UK)".*

The second perspective focuses more on inter-vivo transfers. Children (or other relatives) often do not really need the inheritance after their parents pass away, because they will then be in their forties-fifties and may already have a good socio-economic position at that age. Many focus group participants agreed that it is better to support relatives, if possible, in an earlier phase. "*My children need the money now, for studying, buying a house, raising children. I prefer to support them now rather than that they have to wait until I die. But of course, I want to keep some buffer so that they don't have to support me when I get older. I would not like that (Netherlands)".* The latter quotation clearly shows that many older home owners are trying to find a balance between providing financial support to their children on the one hand, and maintaining financial autonomy on the other. Nevertheless, the focus groups made clear that rather than being a barrier for housing equity release, the bequest motive can actually be a reason for releasing housing equity. Several focus group participants indicated that they were considering to release housing equity in order to help their children entering the home ownership market. Taxation also plays a role in some contexts. It is financially more advantageous to gradually donate tax (annually) exempted sums, rather than bequeathing all and paying inheritance tax. This was heard especially in the Netherlands and the UK.

The third perspective emphasizes that some parents may not really wish to leave a bequest. Many parents have already spent much money on rearing and educating their children. After this, the children should be prepared to enter society and fend for themselves: *"I have generously supported my children financially so they already got what they deserved. Whether I leave an inheritance for them or not, is not so important anymore (Netherlands)".* "*For me, when you are older, it is the time to look after yourself. You have already educated your children. It is a time to concentrate on yourself (UK)".* Furthermore, some do not intend to leave a bequest because they expect to need the money for their own purposes, for example for the finance of health care. *"I have two daughters but I don't feel I should leave them a heritance. I have no idea how much I have to pay for care in the years to come. Suppose my wife and me die together at this moment, then the children receive the house and quite some money. But if we die in 10, 20 or 30 years there is probably not much left (Netherlands)".*

In the focus groups, we found little proof for the so-called SKI phenomenon (Spending the Kids Inheritance) as mentioned in the popular media. SKI stands for willingly spending all the assets in order to avoid leaving a bequest. Only very few participants in all the focus groups explicitly stated this *"I have no intention to pass on the asset as I will use the money if I can, my kids are doing well (Germany)".* Another German participant was more inclined to SKI *"I would not have a problem with leaving my children with debts when I am gone… This may sound selfish but I am not saving for my children and if I do not pay back all of my debt, they will have to face some (Germany)".* This participant also said that she was not very close to her three children.

Table 4 Attitudes towards leaving a bequest in the six consortium countries (based on the focus group results)

Country	Importance of bequest motive
Hungary	++
Italy	+
Germany	-
Netherlands	-
Ireland	+/-
United Kingdom	+/-

++ very important; + important; +/- neutral; - not very important; -- not important at all

Source: Al-Umaray et al., 2018

4.2. Current retirement income and the role of home ownership

In the focus group discussion, participants were asked about their sources of income at retirement. They were requested to rank the various income sources in order of importance. The results of this ranking exercise can be found in table 5. The answers that were given provide a rough illustration of the various national pension systems that were also described in more quantitative terms in Section 2. In Ireland and the Netherlands, occupational pensions are the main sources of retirement income, followed by the state pension. The UK differs somewhat from these two countries, because private pension insurance also plays a role here. State pensions are the most important retirement income sources in Italy, Hungary and Germany.

Most participants are satisfied with their retirement income level, although their income is generally significantly less than when they were at work. According to some participants, this is no problem at all because their spending levels are lower as well. For example, commuting costs disappear after retirement. Furthermore, they don't have dependent children anymore and many live in outright owned housing, which means that housing costs are limited. Comparatively, participants in Italy and the UK are less satisfied with their retirement income levels than participants in the other countries.

When discussing the role of home ownership within pension provision, many participants established a link with the main theme of the research project, which is the role of housing in old age. Several focus group participants indicate that they had bought the dwelling with a long-term perspective, as it means that one can live rent-free when the mortgage has been repaid. Thus, even without explicitly releasing housing equity, outright owner occupied housing can serve as an implicit form of retirement income. However, not all focus groups participants were aware of this and some only realized it during the discussion. In Germany and Italy, income from rental properties was also mentioned relatively often as a source of retirement income.

Although most participants assert that they have sufficient retirement income, there are strong doubts about the sustainability of future pension systems, due to strains on government budgets and ageing populations: *The people in their thirties and their forties now pay for the big grey group that we are. While we are generally in a good financial situation, their future situation will be less positive* (Netherlands).

Table 5 Sources of retirement income ranked according to importance

Country	**Rank 1**	**Rank 2**	**Rank 3**
United Kingdom	Occupational pension/private pension insurance	State pension	Social benefits
Ireland	Occupational pension	State pension	Private pension insurance, own home
Italy	State pension/income from other properties	Own home/ private pension insurance	
Hungary	State pension	Own home	Family-relatives
Germany	State pension	Own home	Private pension insurance/rental income/occupational pension
The Netherlands	Occupational pension	State pension	Own home/private pension insurance

Source: Al-Umaray et al., 2018

4.3 Attitudes to different form of housing equity release

In a so-called vignette (Figure 1), the participants were presented with the hypothetical situation of a pensioner's household that had financial troubles. Subsequently, they were asked to give advice to the household in the vignette. With this way of working, we intended to reveal attitudes towards the different forms of housing equity release.

Figure 1 The vignette that was used in the focus group discussions

An older retired couple (age around 70) without children lives in an a rather new and well-maintained three-bedroom detached dwelling in a medium-sized town. They are outright owners (they have already paid off the mortgage). The couple is having financial problems; their retirement income is insufficient to cover their expenses. Therefore, they are thinking of releasing part of their housing equity in order to get extra income. As far as this is concerned, they consider the following five options:

- Sell the house and move to a rental dwelling;
- Sell the house and move to a smaller home ownership dwelling;
- Sell the house and rent it back (sale- and lease-back);
- Stay in the house and use a financial product to extract the housing equity;
- Let out part of the dwelling

Source: Al-Umaray et al., 2018

The focus group participants were asked to rank the options (from 1 to 5, 1 to 4 in the case of the UK and 1 to 6 in the case of Ireland) in the vignette from most preferred to least preferred. Table 6 gives a closer insight into the average ranking of the various options per country. Overall, selling and moving to a smaller owner occupied dwelling was most preferred option. It scored the first place in all countries, with the exception of Italy were it scored second. In Italy, special equity release products (ERS) were the most advised option, whereas in four other countries this option was ranked in the second place. Hungary is an exception to this. In the latter country, almost all participants put the ERS option in the last place. Overall a bit less preferred were the two rental options (moving to a rental dwelling, sale-and-leaseback) and in the last place (overall) came the option to rent out part of the dwelling. In the remainder of this Section, we discuss the outcomes in more detail and address the various motives to choose, or not to choose, for one of the options.

Table 6 **Average ranking of the various housing equity release options in the six consortium countries**

	Germany	Hungary	Netherlands	UK[3]	Ireland[4]	Italy	Overall
Sell house and move to rental dwelling	2.7	3.0	2.9	2.6	4.5	4.2	3,3
Sell house and move to smaller owned home	2.0	1.2	1.8	2.0	2.0	2.7	2,0
Sell house and rent it back	3.5	3.8	3.1	2.7	3.0	4.1	3,4
Stay and use equity release scheme	2.7	4.9	2.7	2.1	2.5	2.4	2,9
Let out part of dwelling	3.7	3.0	3.6	n.a.	3.0	3.4	3.3
Swap house (Ireland only)	n.a.	n.a.	n.a.	n.a.	4.0	n.a.	4.0

Source: Al-Umaray et al., 2018

Selling and moving to a smaller owner occupied property

Overall, the focus groups in all six countries show a high preference for selling the house and moving to a smaller owner occupied property. This is an option that can be carried out relatively easy and allows households to continue to be home owners. However, it does require that people leave their current house. This can be difficult because many older households have an emotional attachment to the house where they raised their children (if they have children) and they would like to stay in it as long as possible. However, there often is a trade-off between emotional attachment and pragmatism. Staying in the community is often considered more important than staying in the same house. As one Irish resident (Waterford) puts it: *"No, I think people might want more to stay in the community basically, you know, the familiars or surroundings. Like for instance, my children they are probably not going to live in Waterford. If God forbid, my wife dies, I will be on my own in a four bedroom house. What do I want a four bedroom house for? (Ireland)".* One of the German focus group participants stated: *"Selling and buying something smaller that is age-adequate is a good option especially if you can also have an extra room for a caregiver. This is cheaper than paying for an old-people's home (Germany)"*. Some participants already seem to (emotionally) disconnect with their current house and prepare for a move: "*I am enjoying my house less than before because my grandchildren are now too old to play in the garden. The house is big and requires a lot of maintenance. I am not sure if it is a good idea to keep on living there. The question is what strategy is best for us, not so much in financial terms but more in terms of our physical and mental health (Netherlands)*".

Nevertheless, several participants also indicated that they would like to stay in their current house until death. If this is not possible, moving to another owner occupied house is an option, but *it would be hard as I am emotionally attached to the house (Germany)".* Others were concerned about the burden of moving at old age: *"Moving house at that age would be a terrible trauma. You don't want hassle whenever you are in your seventies or eighties. You don't want that (UK)".*

[3] A 4-point ranking scale was used in the UK.
[4] A 6-point ranking scale was used in Ireland.

A significant intra-country difference was visible in Italy. While the Rome focus group followed the general pattern of selling up and buying a smaller property, half of the group in Parma mentioned strong emotional attachment to their property: *"For me moving to a different place would mean shortening my life (Italy)". "It would be traumatic (upsetting) for me to move to a different place from the houses I have lived in for so many years (Italy)". "I think it is important to live in the same house also from a practical point of view because you get used to that space and you know how to move around in that place. This is very important especially for those elderly that are not autonomous, living in the same house means that they would have some reference points to move around (Italy)".*
In Rome, moving house was seen as a bit less problematic: "*For me it is not necessary to stay in the same house, so it is not a problem if I have to move* (Italy)".

Equity Release Schemes (ERS)
Although selling and buying a new property was overall the most preferred option, quite some participants also advised an ERS for the couple in the vignette (see table 3). In most contexts ERS came in second place of all options mentioned. In Parma, Italy, it even came in the first place as a result of the aforementioned strong emotional ties with the family house. Also in the other contexts, the possibility to continue to live in the family house was a strong motivation for advising/choosing ERS : *"I have an emotional attachment to my house and this would be comfortable for me (Germany)".* The main exception is Hungary, where staying in the dwelling and using an ERS came in last of all five options. This seems to be linked to the general adversity of the Hungarian public towards mortgages . In Hungary, there is a general distrust of the government and the banking sector. Most of the older people grew up under an entirely different political system with an oppressive government. Furthermore. mortgage provision in foreign currencies has resulted in much trouble during the financial crisis. Consequent, the faith in the banking sector is currently very low in Hungary.
Although ERS obtained a rather high average ranking in most countries, particularly in the UK and in Italy, this average was based on polarised views. Some put it first on their list, because it offers the opportunity to stay in the family dwelling, whereas others take a much more negative stance. In Italy some participants ranked ERS last, not so much because they disliked the general idea, but out of an aversion towards those that execute the schemes: "*The PVI (prestito vitalizio ipotecario, government supported ERS) is a good idea but there is no future for it at least with these politicians (Italy)*". In the UK, there was a divide between those that were interested in ERS and those that disliked ERS. The latter regard it as having a traditional mortgage once again: *"With equity release schemes you are actually going back to a situation when you are paying somebody to live in your own house again. It does seem attractive, but you are really going back to the start again whenever you were in your 30's (UK)".* In Germany, the participants that put an ERS on the first place were the ones that had a more modest income and thought of tapping into the housing equity as additional income, without having to move. The ones with more generous retirement provisions did not consider it.
More in general, older home owners in all countries attach a high value to financial autonomy. This limits the potential for releasing housing equity through an ERS: "*It is not wise to release all your housing equity and give it away or spend it. You need to keep some buffer for the future, even if it is only for the funeral, because you never know what the future will bring (Netherlands)".*

Sale and lease back or selling and moving to a rental dwelling

These two options were presented separately, but to many respondents they seem to overlap somewhat, even though the sale and lease back option involves staying in the current dwelling. In most countries, these options came at around third or fourth place. There was not always much discussion on these options, but one of the British groups discussed the choice between ERS or sale and lease back. Both options allow the inhabitant to remain in the dwelling, which was an important issue for many focus group participants. Insecurity with regard to the future rental payments was seen as an important disadvantage of sale-and-leaseback constructions: *"Selling the house and renting it back, I suppose there is a danger in that if you are going to make a budget, you know how much rent you can pay back, but the rent can go up. So you have to think if you can be able to afford that in a longer term whereas equity release would be steady income (UK)."* On the other hand, getting rid of maintenance hassles can be an important advantage of renting a house. *"I consider renting as less exhausting than owning a house (Germany)."*

In Ireland and Italy, these options were appreciated differently within the country. Whereas in Waterford, selling up and renting and sale and leaseback came in the second and third place (comparable to ERS), in Dublin the rental options were ranked as inferior. Although the Waterford group was positive about selling and renting another property, they had some doubts about the viability, because they all thought there is not sufficient supply of suitable rental dwellings. In Dublin selling and renting another property received a last place, because participants immediately related it to the local housing market, where rents are very high.

In Parma, Italy, the group gave a rather high average rank (second) to selling and lease back. This was quite obviously related to the aforementioned strong emotional ties with the current dwelling. Selling and renting another property received the lowest rank in Parma. In Rome, both rental options were placed last. This may be related to high rents in Rome. Participants mentioned that especially smaller properties are scarce and have a very high rental price. Many dwellings in Rome have been converted into AirBNB for tourists, adding to housing shortages.

Rent out part of the dwelling

In the Netherlands and Germany, letting out part of the dwelling was ranked as the last option. The main reason was that participants would not feel good when having other people, "strangers" in their house: *"Because you are in financial trouble you let other people in your house. I do not think this is a good motivation for subletting part of your dwelling (Netherlands)".* However, one Dutch participant that has experience with subletting says it is possible under the right arrangements *"I have organized my house in such a way that I can sublet it. I have added an extra kitchen and bathroom and a separate entrance for the tenant (Netherlands)."* Again in Ireland and Italy, there were remarkable differences between cities. In Dublin, renting out an extra room received the highest rank. Some participants had first-hand experience in renting out rooms to University students. In Waterford on the contrary, renting out a room (or part of the dwelling) was ranked as the worst option, possibly because rent levels in this city are lower than in Dublin. In Parma, this option was also allocated the last place, while in Rome it got the second place. The motives were not discussed but possibly the Romans are aware of the potential income that can be generated by renting out rooms (or B&B) in this constrained housing market.

4.4 Consumers' perception of the ERS market?

In the academic and policy literature, ERS are often seen as the preferred method for releasing housing equity. After all, an ERS allows people to stay in their current dwelling and enables them to extract precisely the amount of money that they need. As such, they offer a custom made solution. However, until now the ERS market is little developed in most countries. The only country with a reasonable degree of availability and take-up is the UK.

As indicated earlier in this paper, many focus group participants expressed a latent interest in ERS. This interest can be interpreted in the wake of national pension system reforms. Demographic ageing is an important reason for such reforms, especially in countries with a relatively old population such as Italy and Germany. The Global Financial Crisis has clearly accelerated the implementation of the pensions reforms. It puts significant pressure on governments to cut budgets, whereas occupational pension funds have suffered enormously from declining investment returns on the global financial market. Consequently, many European countries are currently increasing the retirement age to 67 or even 68 years, whereas pensions are sometimes frozen or even decreased.

In all focus groups, the participants expected that retirement income will decline in the future. The Hungarian group did not so much fear a decline of retirement income but rather the increasing costs of life (instability and devaluation of the Forint, whereas Euro and Sterling are relatively stable). UK and Italian participants had already indicated their dissatisfaction with current retirement income levels (see Section 4.2), which could be a reason to think about ERS. The results of the vignette exercise (Section 4.3) showed that many participants in various countries regard using an ERS as the second or third option. Only in Hungary was it ranked on the last place. This confirms that there is considerable interest in ERS among the participants.

At the same time, there is very little experience with using ERS products and it turned out that the knowledge on ERS products was also fairly limited. Many had read or heard something about ERS but they usually did not know all the details of these often complex products *"These products are for people who are keen to look into details, this is not for everybody (Germany)".* The participants also stated that they would like to learn more about ERS:*"I would need exact information, on how these products are calculated (Germany)".* In most countries, participants indicated that they would need much more information and that this information should be provided by independent organizations, such as the government (although the government is also distrusted by some participants, particularly in Italy and Hungary) or homeowners' associations.

Finally, the focus group made clear that the trust in the private financial sector, the most probably probable providers, is generally limited: *"This (ERS) is a good idea but there is no trust in banks and for this reason I feel puzzled (Italy)". "I don't think that these products will be a solution. There is a lack of trust in banks. If I will ever need more resources I will sell my house to buy a smaller one and I will manage by myself the liquidity (Italy)". I don't trust it. If you think about what happened in recent years. With mortgages and everything…. I would say no… (The Netherlands).*

5. Conclusions and recommendations

This paper has shown that there is growing (latent) interest in releasing housing equity among consumers. A less generous pension and health care system is an important driver for this. Releasing housing equity does not necessarily involve a financial product. A majority of the focus group participants suggests that in case of financial need, especially if one lives in a large house, a house sale combined with a move to a smaller owner occupied dwelling is the first option. In that case, people are not dependent on financial institutions and they can live rent-free which, for many participants, is one of the main benefits of owner occupation in the later life course. Another benefit of trading down to a smaller, cheaper (owner occupied) dwelling will leave a cash surplus.

At the same time, various participants state that they have an emotional attachment to their dwelling. For these people, releasing housing equity while staying in the house (ERS, sale-and-leaseback) would be an interesting option. Apart from the desire to release housing equity while staying in the family dwelling, the interest in ERS seems to be connected to the wish to offer children a helping hand. Many participants indicate that they prefer to financially assist their children when they are still alive rather than leaving a bequest after they have passed away. So, the interest in ERS is motivated by more factors than worries about pensions alone. At the same time, various participants were wary to release too much equity because they might need it for care purposes when they became 'really' old. Financial autonomy turns out to be very important for older home owners.

Many focus group participants indicate that they lack knowledge of ERS and they would like to have access to objective ERS information from independent sources. According to the focus group participants, information about ERS should preferably not originate from the financial sector alone. Many express a need for objective information that is distributed by independent parties. Probably as result of the global financial crisis, the trust in financial institutions is relatively low across the board in all the six countries. Stronger government regulation and the introduction of uniform product standards, such as happened in the UK, might enhance the trust in the ERS market. An awareness campaign of the government could also have a positive role. Preferably, such a campaign should focus on the societal benefits of ERS (allowing people to age in their current dwelling).

Finally, it should be noted that our research has been of a qualitative nature and that one should be reluctant in generalizing the research results. A generalization to the European level is impossible because of the limited number of participants per country, but also because of the sometimes fundamental differences between countries that we encountered. Furthermore, even within countries there can be variations. For instance stagnant or declining regional housing markets may not be served by (commercial) ERS providers. The decision to choose for an ERS is influenced by both contextual (welfare state, pension system, fiscal aspects, culture, role of the family, housing market situation) and individual factors (spending patterns, housing situation, health, presence of children). This paper gives an idea of how these factors work out and interact in particular countries and for particular households. However, even though some quantitative overview tables are presented, it does not pretend to give a comprehensive and quantitative picture of the importance of each of the factors. The latter would require a follow-up international comparative quantitative research project. Such a follow-up project should also pay attention to the distributional aspects of asset-based welfare and housing equity release. After all, the concepts can lead to severe inequalities, for example between home owners and tenants (who do not accumulate housing assets), or between home owners with property on a 'good' location and home owners in a deprived neighbourhood. Furthermore, intergenerational transfers may reproduce inequality in housing asset holding across generations (Deng et al., 2017).

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