

## GRANDPARENTS IN DEBT TO TUNE OF £57 BILLION<sup>1</sup>

- **1 in 5 retired homeowners (1.1 million)<sup>2</sup> still have a mortgage**
- **Average outstanding mortgage debt is £38,000**
- **1 in 3 have carried over credit card or personal loan debt for the last 3 months**
- **Average outstanding non mortgage debt is £5,900**
- **1 in 12 retirees have financially dependent children**

Research from Scottish Widows UK Pensions Report 2007 reveals around one in five (over 1.1 million), retired homeowners in the UK have an outstanding mortgage on their home – with an average debt of £38,000. What is more, one in eight owe more than £50,000 putting increased pressure on retirement income.

When it comes to short term debt (e.g credit cards, personal loans etc) the situation is no better. Almost one in three have carried over short term debts for each of the last three months – with the average outstanding balance owed being £5,900.

This makes the total nationwide debt held by those in retirement £57 billion.

**Ian Naismith, head of pensions market development at Scottish Widows, says:** “Our research shows that by the time they come to retire a significant number of pensioners still have a mortgage outstanding on their property, adding financial pressure to their hard-earned retirement fund.”

The study also shows that many pre-retirees (aged 50 to 59) are a long way from owning their own home – suggesting that the trend of retirees still being burdened by monthly mortgage repayments is likely to continue. Of those in this age bracket over four out of 10 (42%) still have a mortgage with an average debt of £54,300. And what of those aged between 60 and 64? Well one in four (25%) have a mortgage and the average debt is £42,800.

**Naismith continues:** “It is important for those people who will be reaching retirement in the next few years, and still have debt outstanding on their mortgage, to consider how best to prepare themselves for the eventuality of having to juggle their debts on a reduced income when they stop working.

“With more and more people taking out mortgages later, and paying them off later, we are seeing many people turning to the equity in their home as a method of providing income in retirement. The knock-on effect of getting on the housing ladder later is that money that could have been put into a pension is being used on monthly mortgage payments.”

The research also shows that one in 12 (almost 700,000) retirees have the added burden of one or more financially-dependent children proving the 'Sorry' Generation is alive and kicking. Almost two thirds of these offspring are aged 18 and over – with 16% aged over 35.

Those in retirement – perhaps not surprisingly – believe you should start saving for retirement sooner rather than later. When asked at what age you should start putting money away – a retiree suggests 27 years and 7 months old, almost three years earlier than those currently aged 18 to 29 – who think 30 years and 4 months is a good time to start.

Retirees are also more sanguine about what is meant by being 'well off' – believing an annual household income of £27,700 will be the envy of your neighbours, compared to the nation as a whole who believe you need £36,300 to be considered 'well off'.

Perhaps most worrying for those currently not in retirement and not saving, is that today's retirees have an average household income of £22,900. With the Basic State Pension providing £7,259 a year<sup>3</sup> today's retiree couple is evidently in a position to boost this amount by up to two times more with income from other sources – e.g. personal pensions, investments and savings.

ENDS

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**- ENDS -**

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**Notes to editors:**

*The research to support the report was carried out by YouGov who interviewed a total of 5,414 people over the age of 18 between 7<sup>th</sup> and 26<sup>th</sup> February 2007.*

1. The total debt is calculated as follows.

According to the survey of 5414 people, 16.86% are retired – or 913. The UK adult population (18+) is 44.5 million. Therefore 7,502,700 are retired.

15.2% have a mortgage on their property = 1,140,410

Average debt is £38,000

32.4% have carried short debt over for the last 3 months = 2,430,875

Average debt is £5,900

$(1,140,410 \times £38,000) + (2,430,875 \times £5,900) =$   
 $£43,335,580,000 + £14,342,162,500 =$

£57.6bn

2. Of the 7,502,700, 67.3% own their home outright and 15.2% own their home with a mortgage. The remainder are renting in some capacity. Therefore of homeowner (6,189,728) one in five or 18.5% (1,140,410) have a mortgage.

3: Based on a basic state pension of £139.60 per week (married couple) – source [www.thepensionservice.gov.uk](http://www.thepensionservice.gov.uk)

**The Scottish Widows Pensions Index** measures the percentage of those who could and should be saving for their retirement who are currently making adequate provision. The index is based on those aged between 30 and state pension age who are earning at least £10,000 a year. They are treated as preparing adequately if they expect their main income in retirement to come from a defined-benefit pension scheme or if they are saving at least 12% of their earnings specifically for their retirement (including any employer contribution).

**The Scottish Widows Average Savings Ratio** measures the average percentage of earnings being saved by those in the Index group who are not depending mainly on a defined-benefit pension.

#### Glossary

- **Defined-benefit scheme** - A pension scheme in which an employee's pension is based on number of years of service and final salary with each employer. In this type of scheme employees are typically provided with 1/60 of final salary for each year of service up to a maximum of 40/60 that is, two thirds of final salary. At retirement a tax free lump sum may be taken at the expense of a reduced pension. (Source: Global Investor: [www.finance-glossary.com](http://www.finance-glossary.com))
- **Defined contribution scheme** - A pension plan in which benefits are dependent on contributions to, and the growth of, the pension fund. (Source: Global Investor: [www.finance-glossary.com](http://www.finance-glossary.com))

**Scottish Widows** was founded in 1815 as Scotland's first mutual life office. Becoming part of the Lloyds TSB Group in 2000, Scottish Widows has become one of the most recognised brands in the life, pensions and investment industry in the UK. The product range includes long term insurance, such as life assurance, pensions, annuities and permanent health insurance, and savings and investment products. Using a multi-sales network of Financial Advisers, Direct Sales, Direct Marketing, the Internet and via the branch network of Lloyds TSB, Scottish Widows currently employs about 4,000 people.

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