Looking after Number One
A timely look at the legacy of the 80s

For some, it was the era that saw the UK go from being ‘the sick man of Europe’ to a nation admired for its enterprise and opportunity… for others, it was the decade of ‘greed is good’ and the dismantling and devaluing of society.

Whatever your own stance, with the recent passing of Lady Thatcher, perhaps now is the time to take stock of how the legacy of the 80s has impacted, and will continue to impact, those approaching or in retirement.

It is also worth considering how, as an intermediary, you can use that context to guide your clients to their best options.

When we became a nation of homeowners

One legacy is clear. The 1980s witnessed a sharp rise in the volume of property owners. The main triggers were (1) the introduction of the Right to Buy scheme, and (2) the de-regulation that broke the cartel of building societies, making mortgage finance more readily available.

The figures tell their story.

- The number of loans to first-time buyers grew from 320,200 in 1979 to a peak of 612,700 in 1986 (a rise of 91%)
- Which prompted a spiral in the percentage of UK adults being homeowner occupiers. (From 56.6% in 1980 to a peak of 70.9% in 2003).

And there is of course, another side to the legacy of the 80s and its credit boom – the significant increase in house prices.

Many of those that used the two above driving factors to become homeowners are likely to have also benefited from the significant increase in property value. For example:

- In 1986 the average house price was £35,647
- Rising (236%) to £119,938 in 2003
- And reaching £163,056 in Q1 of 2013
A new generation of haves and have-nots

‘Cash-poor and asset-rich’. It’s a term often heard to describe a growing proportion of today’s homeowners – given the various ‘squeezes’ on their cash flow and lifestyles.

Retirees have been hit particularly hard by the way annuity rates have plummeted. In the 10 years up to December 2012, standard annuity rates for a 65 year old male have fallen from 8.1% to 5.21%, and 15 year gilts dropped from 4.81% to 2.33%.

With one financial cupboard looking bare, and another well-stocked, it makes sense for retirees to take a fresh look at their choices – and to include their property in the mix.

When things come full circle… with a twist

The eighties might be remembered as the decade of serious money… of Gordon Gecko and Loadsamoney… and of ‘looking after number one’.

Today, many of your retiree clients may be better placed to do that than they realise. And not just to look after themselves, but maybe to release equity to help family members.

For many, the first – and often missing step is to simply wake up to the assets and the options that they are sitting on.

And to do that, they may well need your support.

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2 Department for communities and local government - English Housing Survey. 2011-12
3 House price data from Nationwide 2013:
4 http://www.williamburrows.com/charts/annuity10k.aspx