



Safe Home Income Plans (SHIP) is the trade body for Equity Release and one of its key aims is to afford protection for the consumer.

Reassurance for you...



SHIP's remit is to build awareness and understanding of both how the Equity Release market works and the safeguards that are now in place.

The trade body was launched in 1991 in direct response to the growing need for consumer protection. Its aim was to help ensure that a repeat of the problems with policies across the late 1980s never occur again.

Further consumer support came in 2004, when Lifetime Mortgages became a regulated product under the Financial Services Authority (FSA), with Home Reversion Plans following in 2007.

Size and scope of SHIP

SHIP now represents over 90% of the Equity Release market in terms of volume. And its figures for the Q4 2011 period show that the new advances of almost £216m were the highest level of lending since Q4 2009.

In a previous report, SHIP highlighted that the UK population is ageing, with insufficient pension provision and the prospect of meeting significant costs. And expects the demand for Equity Release to increase significantly over the

Product of choice

There is a view in some quarters that Equity Release remains a product of last resort, but is this still the case?

Of course, the economic climate and the need for proper pension planning, will continue to fuel the 'last resort' view.

With regard to inflation, the impact of almost an additional year of rising prices and population, quite apart from the pressures across the economy.

As for Pension Schemes, the needs of people (amounting to over 10 million people are currently in the process of being funded).

(Source: Workplace Retirement)

These issues and others will indeed come to the fore as the need for out of choice - not necessarily a last resort.

Upsizing

Rather than downsizing to raise cash (or towards retirement) may decide to move home in an area where they'd like to live.

Whilst they may be ok with funding their home, they may not have the money to buy a new one, so raising the extra funds through Equity Release may be the solution for them.

Helping the grandchildren

Some may decide that rather than trying to build an inheritance for when they're gone, they may want to help out the grandchildren now - when they have pressing needs, such as support with University funding. Again, Equity Release could help out.

However, continuing with the family theme, an Equity Release policy may, of course, lessen the inheritance for future beneficiaries, so it's sensible to consider involving your family members in any Equity Release discussions.

Do get in touch to find out more.

A newsletter will:

- ...deliver a softer communications option, that helps keep your name 'front of mind'
- ...assist client retention and the sourcing of new prospects
- ...add to the general professionalism of your offering
- ...support FSA TCF client contact requirements

**To maximise results - follow up despatch of the newsletter
And regular usage will also delivers results - see right**

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SHIP's Code of Practice sets out the points are

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a fair, simple and com-

tion of the Plans, and encourages

the consumer to take independent legal advice.

Furthermore, SHIP members can only accept applications from advisers who are specifically qualified and have followed a fully advised process, which ensures you are totally aware of other options and the impact a Plan may have on any entitlement to State Benefits or Grants. Advisers currently account for a massive 90% of Plans placed in the marketplace. *(Source: SHIP, Q4 2011 figures)*

Please let us know if you have any questions.

Lifetime Choices

There are numerous reasons why an individual (or a couple) may want to borrow against the equity that exists in their property, but taking out a Lifetime Mortgage is the route chosen by the vast majority.

(Source: SHIP: Lifetime Mortgages accounted for 98% of the Equity Release Plans going through their members in 2011)

A Lifetime Mortgage is similar in principle to a standard mortgage, with the main difference being that there are normally no monthly repayments to make and the loan (and interest) is redeemed when you die or move into long-term care.

The actual tax-free amount you can take out against your property value would be largely dictated by age, and which Lender you go with. For example, the maximum you may be able to raise might be around 20% if you are aged 65, and 30% if you are aged 75.

lump-sum, or you can take an initial lump-sum and then drawdown the additional agreed funds, as and when required. Drawdown is growing in popularity, as you only take out what you need, which lessens the 'interest roll-up' effect, and it may also help you to stay within the limits for means-tested benefits. This route, in 2011, accounted for 56% of all Lifetime sales. (Source: SHIP, 2011 figures)

The outstanding amount owing in fixed interest payments will roll-up for as long as you live in the property. Do bear in mind that if the rate of the loan is, for example, 6.5%, a £10,000 loan may (with the added interest) increase to around £20,000 in 11 years; and about £40,000 in 22 years. Although, in the case of taking out a Plan from a member of SHIP - the trade body for Equity Release - you (or your Estate) will be protected by the safeguards it's put in place (as set out on page 2).

Advice on hand

Of course, it's important to take advice and to consider product elements such as Early Repayment Charges. Would you want to repay the loan. Or if you are a couple, is the property is guaranteed, so that you can be able to borrow more,

sets out there that take other issues too, so consider the Plans

And it works for Readers too

"It is so nice to hear from you!... I REALLY like your Newsletter, though not usually something, I'd expect to like. Financial matters are the biggest turn-off for me. I push myself to read through something when I must, but even then it is very boring. So, well done, it's very lively, broken into many spaces for easier reading. Keeps you entertained in a way. To conclude, if you managed to make me read through all of it, I am sure others will do as well."

Sent by Ms P of Harrow in Dec. 2011 to Bill Harding, Individual Mortgage Solutions

Legacy

in LV=, the main to pass on to their 'good manners' 'good behaviour' and (82%).

September 2011)

Singles or couples



Like a normal mortgage, you can take out your Equity Release Plan either individually or as a couple, as long as you are both eligible by age.

The spouse or partner will then have the right to live in the property for as long as they wish, should the other person die or move into long-term care.

If the Plan is in a single name, and another person lives at the property, the Lender will want to ensure that the other person does not have any rights to continue living in the property once you die or go into long-term care.



Real Lives

You can choose from three story choices for page 4: *... of examples of how ... worked for others...*

1. Equity Release case studies
2. Long-term care
3. Home Reversion

Weighing up

Mr B from the West Midlands had worked for an estate agency business for many years and when it was sold, he decided the time was right to take early retirement. Whilst **Mr & Mrs B** owned two properties (a large family home in the UK and one in Spain), which both had small outstanding mortgages, they were 'low on cash'.

Being in the property business for over 27 years, Mr B knew, at that stage, the time wasn't right to sell either property, particularly their large family home, where they enjoyed entertaining their children and grandchildren.

Through his professional dealings, he was also aware of Equity Release as an option to raise funds. Mr B conducted his own research and they also discussed the options with their adviser, then selected an Equity Release scheme. Mr B and Mrs B wanted to 'remain in their home'.

No pressure

They opted for an advance of £18,000 which helped pay off the mortgage down further funds. Five years later, when they had their son who had recently

Mr and Mrs B were very happy with the scheme, commenting that there was no pressure on them to establish the facts and made sure we were happy with what was recommended'.

They've been able to enjoy their retirement without worrying about meeting mortgage repayments, and subsequently sold their property in Spain. It also enabled them to support their son and to continue to spend lots of time with their six grandchildren in their much-loved family home.

Thanks Grandad!

Following the death of his mother in 2009, **Mr L** inherited and moved into her central London property, which was in need of some internal redecoration and updating.

The costs of the renovation, combined with the contribution Mr L was already making to his grandson's school fees, resulted in a discussion with his existing Financial Adviser, who referred him to an Equity Release specialist.

He had received mixed reactions from friends and family when he first mentioned Equity Release, but after fully exploring the options with his adviser, Mr L was happy that it was the right thing for him, especially as he wanted to remain in the family home.

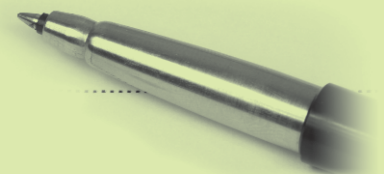
It works!...

- Most say that regular newsletter distribution:
 - gets their name 'front of mind'
 - keeps them in touch with their clients and prospects
 - helps meet TCF client contact requirements
- And if the timing's right, it'll produce business

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Do get in touch to see if Equity Release may be the best option for you too.

Both case studies were supplied by LV=.



→ (contd from page 1)



Consider the options...

Currently, on average, around £49,000 is raised from Equity Release schemes, which you may already have in place, or perhaps you're entitled to.

plan.* Of course, if there may well be options open to you, you require, such as taking downsizing your property, borrowing from friends and relatives, cashing in some investments, and so on.

(*Source: SHIP, 2011 figures)

Additionally, you need to be mindful

that if you do raise money via an Equity Release scheme, then it may affect 'means-tested' State Benefits, or local Council Grants, which you may already have in place, or perhaps you're entitled to.

Equity Release may offer an alternative for you, but the process and the details are complicated.

Understandably, like anything, there are downsides as well as the positives, so do talk to us.

We'll look at your current situation, and chat through your needs to identify the best way forward for you.

■ For Equity Release, we can be paid by commission, or by a fee of usually [£xxx] (or place alternative applicable wording here).

Fee Statement and caveats

Every copy of our newsletter is accurate. However, all information and figures are subject to change and you should always make enquiries and check details and, where necessary, seek legal advice before entering into any transaction.

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Long-term care - whether that's at home or in a residential care home
 You can choose from three story choices for page 4:
 1. Equity Release case studies
 2. Long-term care
 3. Home Reversion

Are you prepared for ILL-HEALTH?

Greater longevity, coupled with what the State can afford, will undoubtedly increase the likelihood of needing **long-term care** at some stage, along with the possibility of having to contribute towards the cost of that care.

Help on the horizon?
 The findings of the recent Dilnot Commission into funding the costs of Adult Social Care in England may help to fund this part of the cost.

Of course, if facing ill-health, many people would prefer to remain in their own home, for obvious reasons. And with the annual average cost of receiving care in the home standing at a 'less dizzy' £4,750* (should a person require an hour a day, every day) it is substantially cheaper than a residential care home.

Current position

At present, people aged 65 and over spend more than £23,250 per year on residential care, the full cost of which is well above the thresholds of £20,000 and £26,000 in the country.

Quite a sobering thought. Consider that the average cost of residential care home care is £26,000 per year, increasing to £36,000, if nursing care is required.

(Source: Laing & Buisson, Care of the Elderly Report, 2010)

This means that if you have a home and assets valued at £150,000, as much as £127,000 could go to fund your residential care needs. Many, understandably, will feel that this is an unfair system, as assets they've built up over a lifetime could be largely eroded.

According to the Dilnot Commission, we should be celebrating the fact we are living longer, rather than talking about the burden of ageing. And by putting a limit on the maximum lifetime costs people may face, it will allow them to plan ahead to meet those possible financial liabilities.

...mean raiding your investment portfolio, or savings, or possibly downsizing. Or, if you're keen to remain in your home, as long as possible, then Equity Release should also be a consideration.

As this is a developing story, do get in touch to find out more.

It works!...

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→ (contd from page 1)



Consider the options...

Currently, on average, around £49,000 is raised from the sale of a property. If you have an Equity Release scheme, you may be able to raise more. Of course, if there may well be other options open to you, such as taking a mortgage, you require, such as taking a mortgage, downsizing your property, borrowing from friends and relatives, cashing in some investments, and so on.

(*Source: SHIP, Year to September 2011 figures)

Additionally, you need to be mindful

that if you do raise money via an Equity Release scheme, then it may affect 'means-tested' State Benefits, or local Council Grants, which you may already have in place, or perhaps you're entitled to.

Equity Release may offer an alternative for you, but the process and the figures can be complicated.

Understandably, like anything, there are downsides as well as the positives, so do talk to us.

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Although not as popular as Lifetime Mortgages, Home Reversion Plans do offer a way of raising equity within

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Home Reversion

This is where you **sell all or part** of your home to a Home Reversion company, thereby giving up **all or part** of the ownership in exchange for a tax-free lump sum or monthly income, or both, depending on specific requirements.

expectancy, this is a particularly expensive way to borrow should you die within a short period of taking out the scheme.

they can leave a certain proportion of their property to loved ones. Of course, in selling some, or all of your home, your estate will then not benefit (fully) should there be any increase in house prices.

Under this type of plan, you can be nominal property owner. You will be a property owner in the long-term care plan provider. You can take their share of the balance to your estate.

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Life expectancy

You can usually sell between 25% and 100% of your property to the provider. But as they will not get a return until the property is sold, they will not pay the full market value to reflect this. The actual amount will largely depend on your age - the older you are, the more you'll get.

As the amount you get, for the share you sell, depends on your life

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...the rest of your... company owns your home, whatever its worth.

Your home is worth £100,000. You agree to sell half your property to the Home Reversion company for half its current value. You receive £25,000 now. When you die, the company owns half the house, and the other half will pass to your estate. So if the house is sold for £150,000, £75,000 will go to the Home Reversion company and £75,000 will go to your estate.

(Source: Council of Mortgage Lenders, Website examples 2011)

→ (contd from page 1)



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(*Source: SHIP, Year to September 2011 figures)

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Page 4 story: Options 1 2 or 3

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