

Equity Release in Later Life Planning

Sheffield CII: Life & Pensions Society 7th June 2017

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Equity Release Planner



SOLLA Advisory Board Member



Equity Release Council Member

THE
BRITISH MORTGAGE
AWARDS 2016

PRESENTED BY MortgageSolutions

WINNER

BEST BROKER
EQUITY RELEASE

SIMON CHALK
AGE PARTNERSHIP

2016 - *Records smashed!*

34%
up on 2015

£2.15bn
released
(trebled since 2011)

27,500
new plans

Safeguards & Guarantees

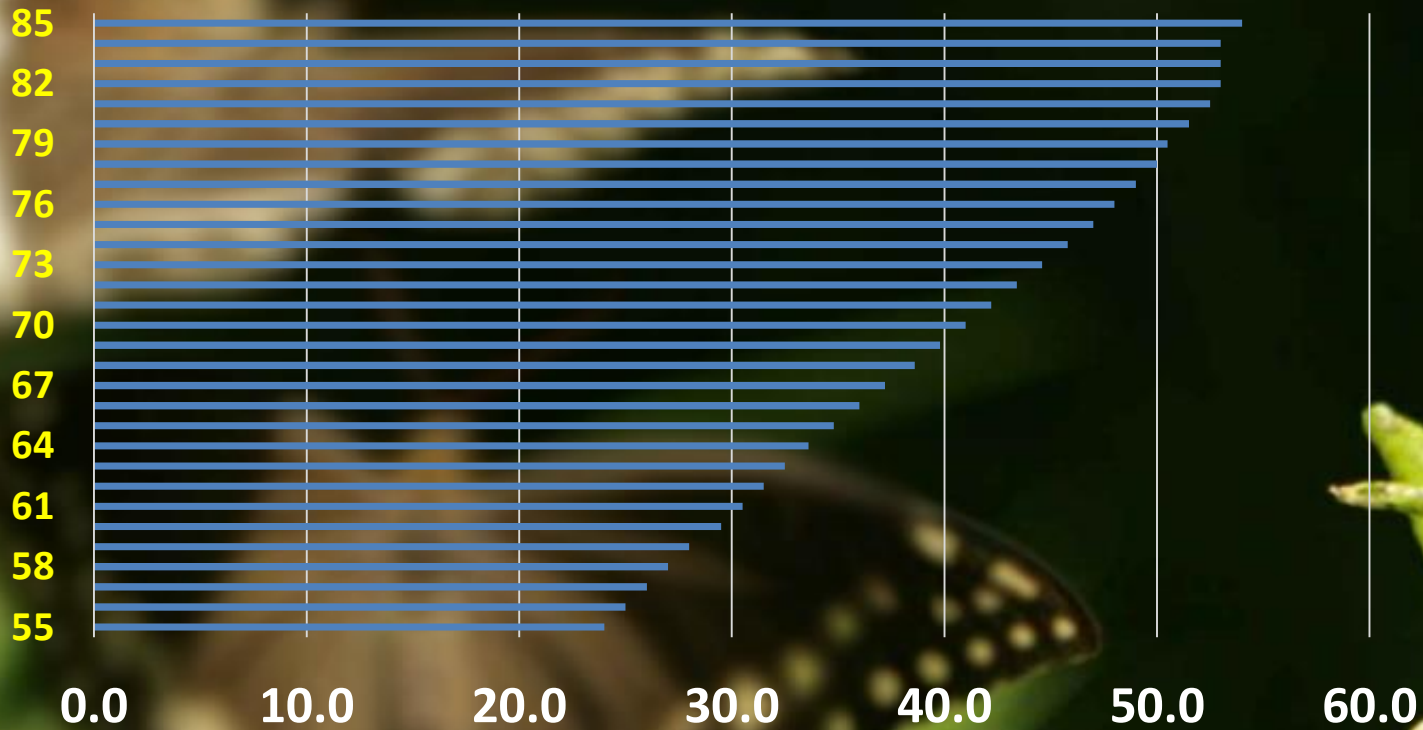
- ✓ Right to remain in your own home for life (*or earlier move into Long Term Care*)
- ✓ No payments to make during your lifetime
- ✓ *'No-negative equity'* guarantee
- ✓ Fixed interest rate / Variable (*capped*)
- ✓ Transferrable to another property
- ✓ Independent legal advice



LIFETIME MORTGAGES & HOME REVERSION PLANS

“How much can I release?”

Maximum % LTV

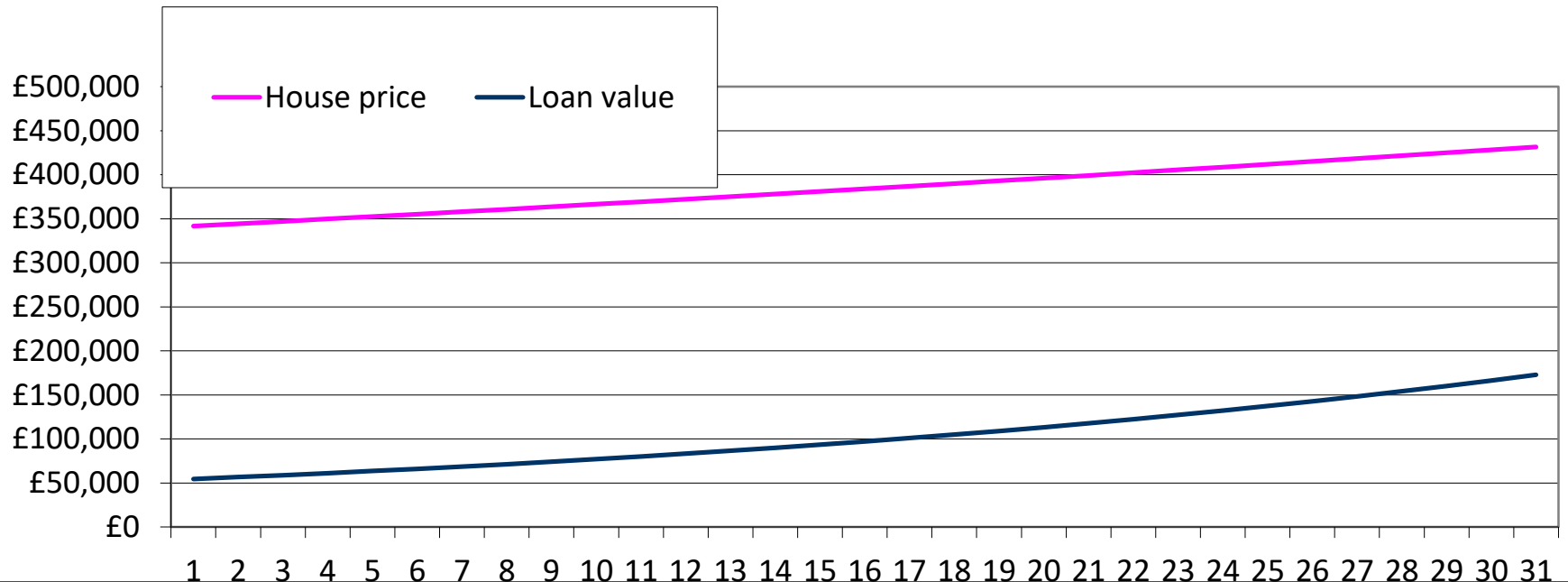


Drawdown – *the popular choice*

| | H2 2016 - Drawdown Plans | * |
|--|--|----|
| AVERAGE AGE | 71.7 YEARS | |
| AVERAGE HOUSE PRICE | £341,758 | |
| AVERAGE INITIAL ADVANCE | £54,584 | |
| AVERAGE EXTRA RESERVES | £37,751 | |
| AVERAGE TOTAL LTV | 27% (16% + 11%) | |
| <i>Current best fixed rate</i> | <i>3.92% Legal & General Flexible Lifetime Mortgage with £44,525 Cash Reserve</i> | ** |
| SOURCE: | | |
| * Equity Release Council - Market Report Spring 2017 | | |
| ** Iress Exchange 03/06/2017 | | |

House Price Inflation: *What's required to keep the remaining equity intact?*

| | AT OUTSET | YEAR 10 | YEAR 14 | YEAR 20 |
|-------------------------|-----------------|-----------------|-----------------|-----------------|
| Av House Value | £341,758 | £369,371 | £381,030 | £399,214 |
| Loan Balance | £54,584 | £80,178 | £93,509 | £117,774 |
| Remaining Equity | £287,174 | £289,192 | £287,521 | £281,440 |



SOURCE: Age Partnership

Assumed fixed rate @ 3.92% Annualised Equivalent Rate



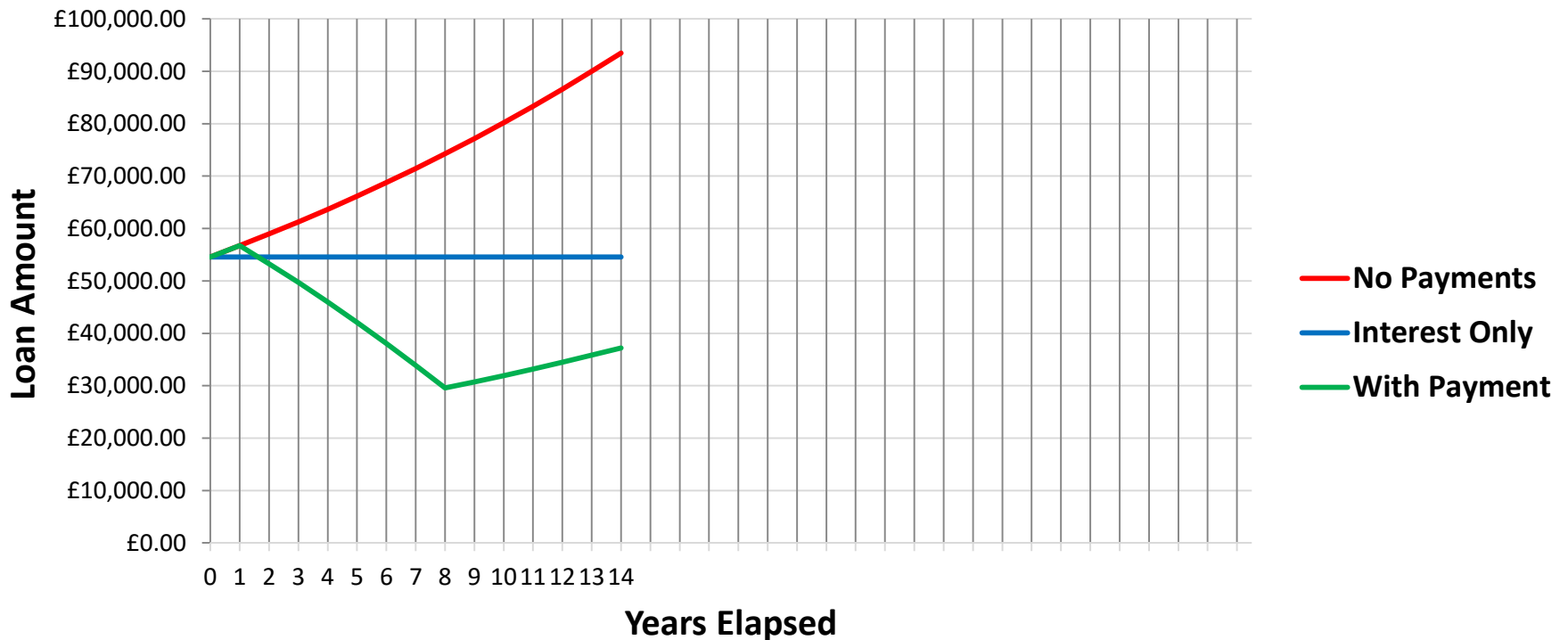
**Just 0.78% pa
House Price Inflation!**

“Roll-up, roll-up? It’s not the only show in town!”

- ✓ Rolled-up interest?
- ✓ **Interest-only? (*full, or partial, option to later switch to roll-up*)**
- ✓ Rolled-up interest, with capital repayment option?

illustrated...

| | | | | | | |
|------------------------------|-----------------|--|--------------------------------|---------|------------------------|----------|
| Plan Name | Legal & General | | | | | |
| | | | Payments Can Start In Year | 0 | Current Age | 71 |
| Loan Amount | £54,584 | | Year Payments Start | 1 | Life Expectancy Age | 85 |
| Interest Rate(AER/Annual) | 3.92% | | Year Payments End | 7 | Years remaining | 14 |
| Maximum Annual Payment | £5,458 | | | | | |
| Interest-Only Payment | £2,140 | | Savings | | Balance at End of Term | |
| Minimum Annual Payment | £500 | | After 10 years | £10,056 | Roll-up | £ 93,509 |
| Client Annual Payment Amount | £5,458 | | After 15 years | #N/A | With Payments | £ 37,222 |
| | | | Over estimated Life Expectancy | £18,081 | Interest-Only | £ 54,584 |



“Aren’t the early repayment penalties high?”

Fixed, reducing ERC
E.G. on **INITIAL** loan:
5% yrs. 1-5, 3% yrs. 6-
10

E.G. on loan
BALANCE:
5% yrs. 1-5, 4% yr. 6,
3% yr. 7, 2% yr. 8, 1%
yr. 9

*Early
Repayment
Charges?*

Variable ERC
Linked to
Gilts or Swaps
0 – 20 / 25%

“What if I downsize & want to repay my loan?”

Hodge Lifetime

**Can repay loan
penalty-free after 5
years if move home.**

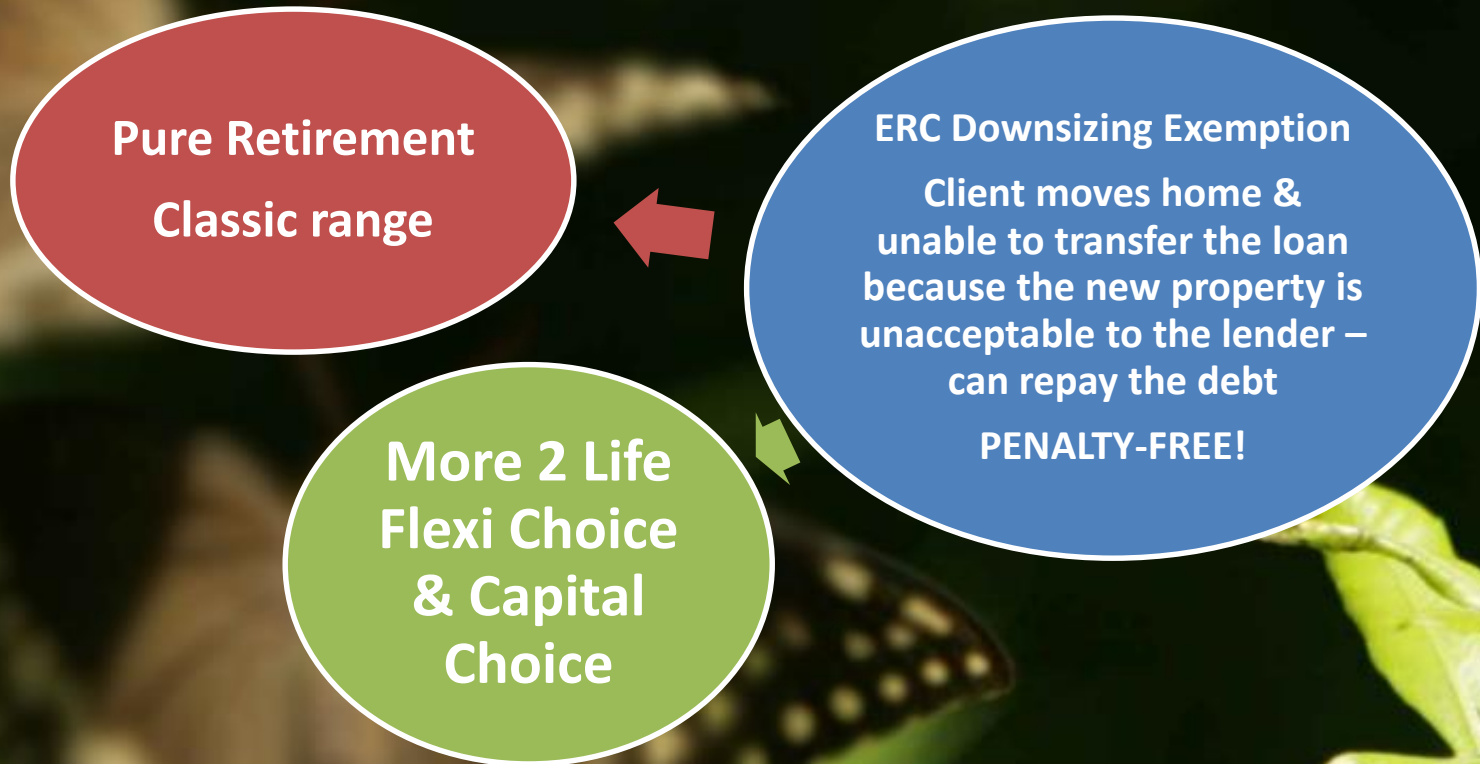
**ERC in first 5 years:
5%, 4%, 3%, 2%, 1%**

**One Family
Can repay loan
penalty-free after 5
years if
move home.**

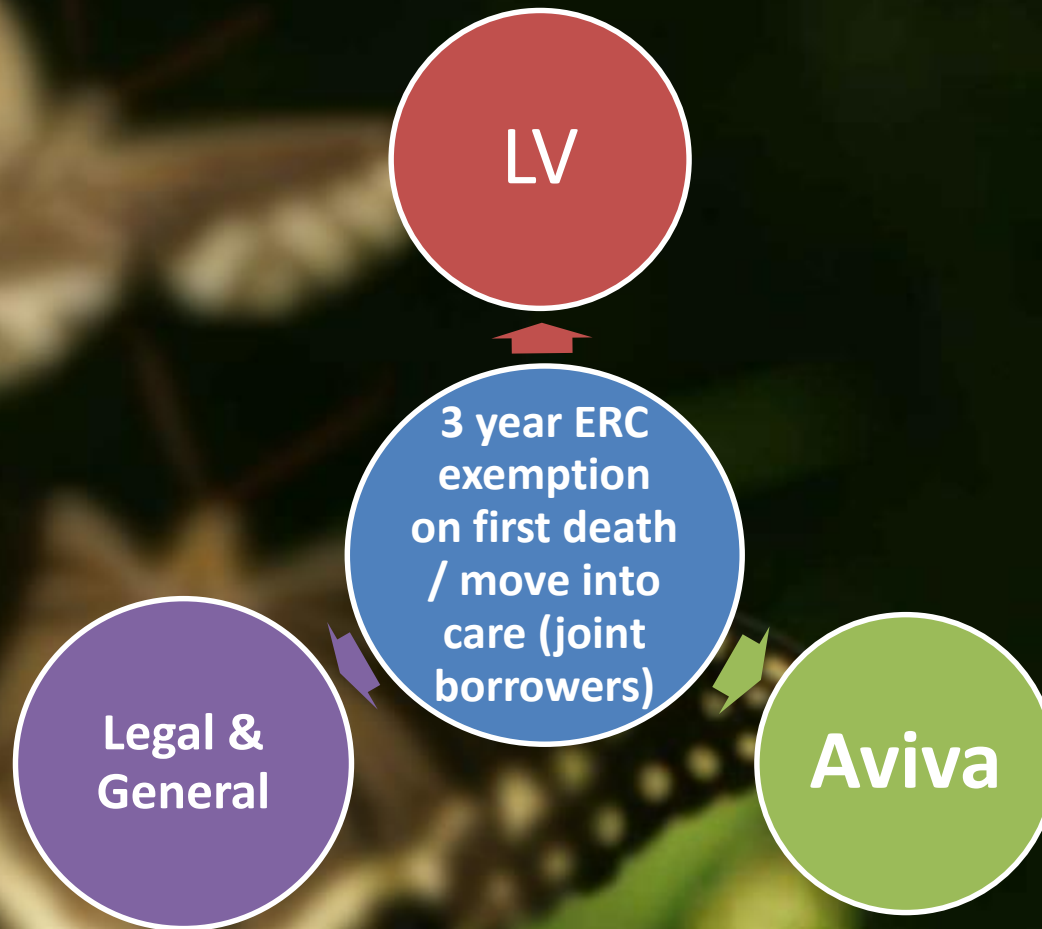
**In first 5 years 6%
ERC**

**Downsizing
Protection
Option**

“What if the lender doesn’t approve of my new home?”



“What if my partner dies first & I want to repay the loan?”



Numerous uses...

- ✓ Pay-off mortgage / debts
- ✓ **Home improvements / adaptations for later life**
- ✓ Top-up income / maintain lifestyle (*leaving pension fund intact?*)
- ✓ **Lifetime gifting**
- ✓ Pay for care at home / in a home
- ✓ **Property purchase / bridging**
- ✓ Divorce: keep the home / buy a new home / each buy a new home!

The techie stuff...

- Tenants in Common (*drawdown?*)
- Power of Attorney / Deputyship (*drawdown?*)
- Trusts – ***Asset Protection Trusts beware!***
- Property underwriting...

Questions?



Thank you!

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I'm **vouchedfor**
Read my **44** reviews

4.9
OUT OF 5