

# An Overview of Equity Release



# Learning Objectives

- Obtain a good understanding of Equity Release, its background and where the industry is heading
- Understand the different ways equity release can help your clients
- Understand modern Equity Release
- Understand the advice process



# Industry Leader in Adviser Engagement

- Equity release specialists – that is our business
- Reputation for first-class service for both customers and advisers
- A range of flexible products tailored to your customer needs
- Dedicated to keeping you up to date with the market
- Supporting you in building your business in equity release

## Multiple award winner, including:

- Best Provider For Adviser Support at the Equity Release Awards three years running
- Best Equity Release Lender at the Financial Reporter Awards 2019
- Best Lifetime Mortgage Lender, Mortgage Finance Gazette Awards, 2019
- Moneyfacts ILP 3 years running Equity Release Customer Service

## Who We Are



# Why choose Pure

## AWARD WINNING SERVICE THROUGH THE CUSTOMER JOURNEY

We Celebrate Super Service at Pure, delivering a First Class Experience for both you and your customers

### Bespoke Marketing Support

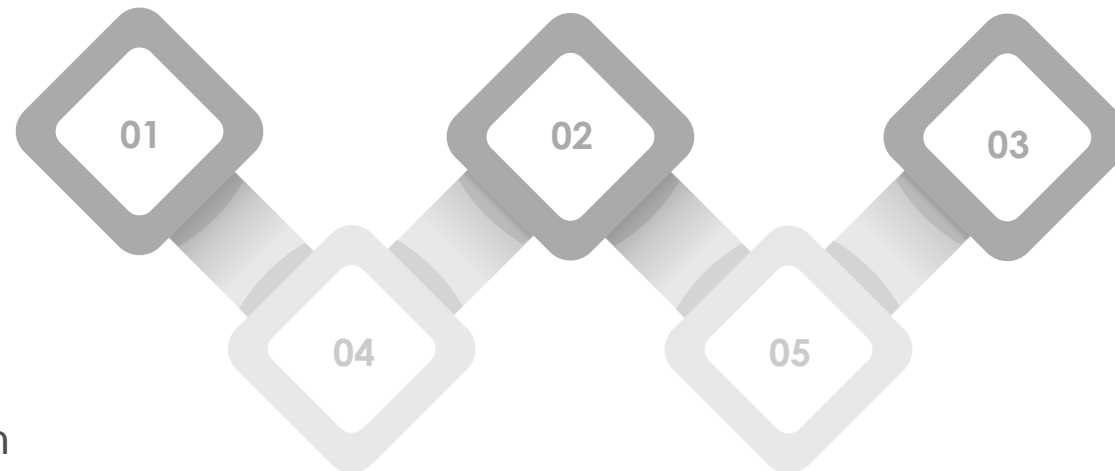
Helping you reach your customer base

### Easy Tech access to everything

Mobile app, case tracking facilities and brand new online portal

### Direct Personal access to Sales, Application support and Underwriting teams

Supporting with any case queries you may have



### 20-strong Underwriting team

Speedy process from application to completion

### First class follow-on Customer Care

Dedicated Customer Account Servicing Team

<https://pureretirement.co.uk/professionals/>

# The Largest Intermediary Sales Team in the Industry



**CHRIS FLOWERS**  
Head of Intermediary Sales



**Megan Dutton**  
Sales Manager



**Hattie Tales**  
National Account  
Manager



**Anna Thompson**  
BDM



**Jane Forshaw**  
BDM



**Daniel Edmondson**  
BDM



**Nakita Moss**  
Telephone BDM



**Daniel Crowther**  
Telephone BDM



**Karen Banks**  
Telephone BDM



**Nicky Watkins**  
Relationship  
Manager



**Inken Bushnell**  
Relationship  
Manager



**Danielle Waterhouse**  
Intermediary Sales  
Support

<https://pureretirement.co.uk/professionals/contact-us/intermediary-sales/>

# Challenges & Opportunities in Equity Release

## Challenges

- An ever changing customer base with ever evolving needs
- Finding the best ways to engage with them in the way they want to be engaged
- Accessing the required resources to provide a first class service from the outset



## Opportunities

Taking on the challenge to stand out in the market against your competitors

# Why Customers Choose Equity Release

## Reasons why clients release money from their home:

- Currently funds are being used to clear debts \*1
- Topping up retirement income
- Helping family members get on the property ladder
- Inheritance tax planning
- Paying off an outstanding mortgage – including the shortfall on an interest only mortgage
- Enjoying life
- Adapting homes during later life
- Paying for care



# Opportunities in Equity Release

## UNDERSTANDING YOUR CUSTOMERS' NEEDS

**It's important to gain an understanding of your customers situation, especially after Covid-19. Many peoples finances could have changed drastically.**

- House values could fall by 14% after the pandemic
- There has been a 19% YoY increase in people accessing pension funds in Q1 of this year
- It's estimated that Covid-19 has affected the retirement plans of around 3.1 million people in the UK
- Equity release will be a solution that many turn to in later life

<https://pureretirement.co.uk/professionals/adviser-toolkit/market-trends/>





# Opportunities in Equity Release

## UNDERSTANDING YOUR CUSTOMERS

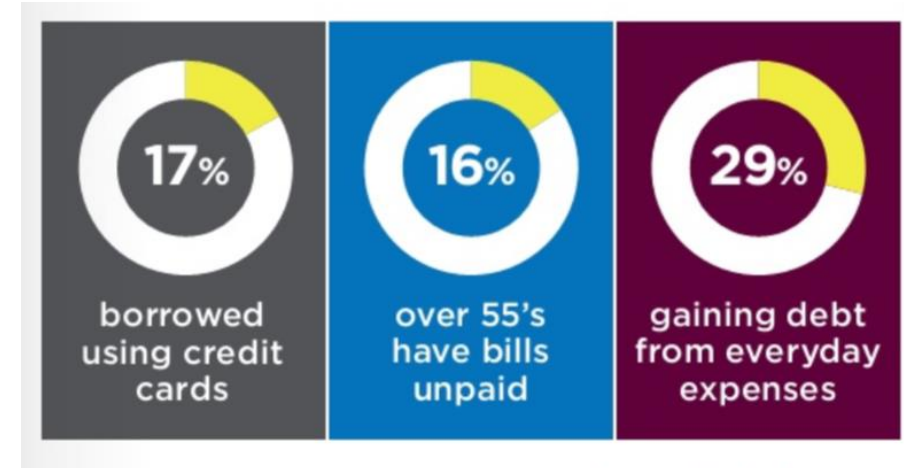
### Financing later life is a concern for the over 50s, especially following Covid-19

Many remain in work longer than planned

Many have no solid financial plan for the future

- Employment among over-65's has fallen 12% as a result of the pandemic
- 20% of those previously exploring equity release are more likely to take it out as a result of the pandemic
- Q1 2020 saw a 19% YoY increase in the number of savers accessing their pensions

<https://pureretirement.co.uk/professionals/adviser-toolkit/market-trends/>



# Opportunities in Equity Release

## ENGAGING YOUR CUSTOMER BASE

**The first step in building your business:**

**Engaging with your customers has never been more important**

**Over 50s aren't all technophobes: Connecting with them digitally is a huge and often missed opportunity**

- Grandparents are the fastest growing demographic on Twitter
- Those over 65 represent the fastest-growing social media engagers, but are targeted by only 1% of total ad spend
- 70% investigate online before making a purchasing decision
- Those aged 80+ prefer tangible materials, brochures and leaflets, so there's still a need for more traditional marketing with this higher age bracket



# Opportunities in Equity Release

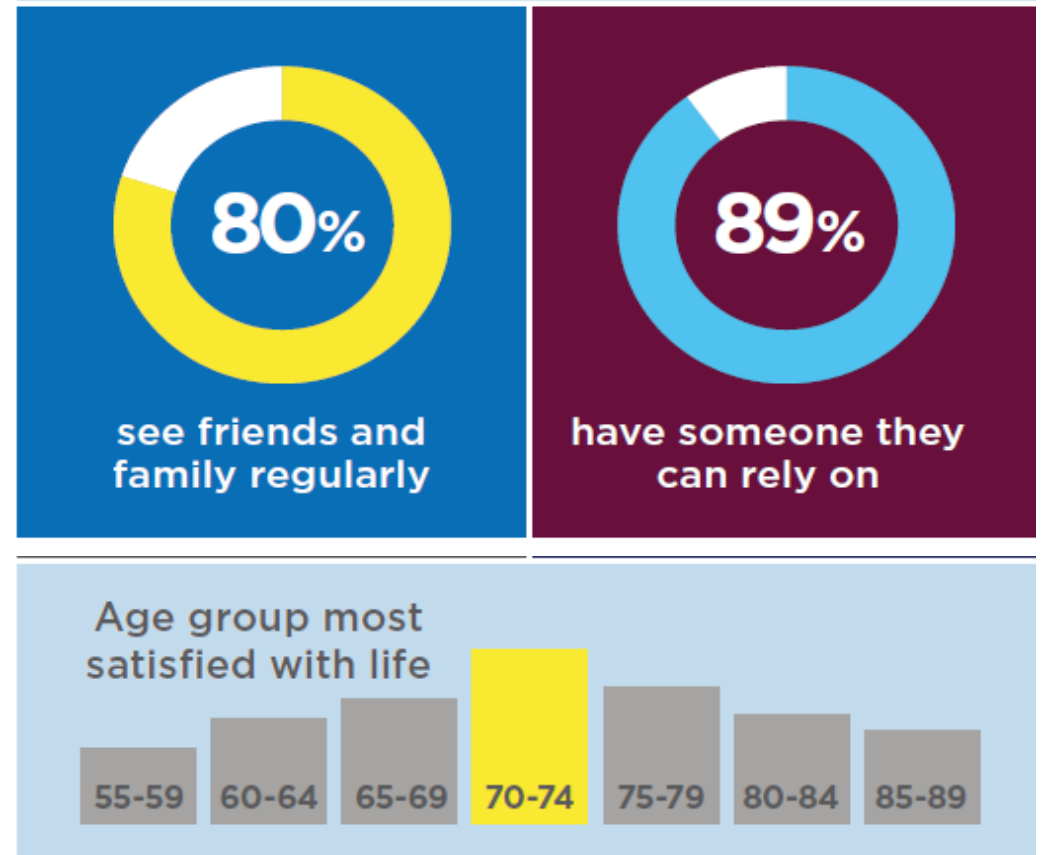
## ENGAGING YOUR CUSTOMER BASE

### Active Over-50s

Older age groups don't all suffer from unhappiness and isolation – they want to enjoy life!

- Those aged 70-74 have the highest levels of life satisfaction of any age group in Britain at present
- Loneliness among over-65s currently sits lower than those aged 25-34
- Many are active and want to be active, seeing later life as something to engage with rather than something to get through
- In your marketing and your tone of voice, see retirement as something to be celebrated, and your engagement rates are far more likely to improve

<https://pureretirement.co.uk/professionals/adviser-toolkit/market-trends/>



# Products to Support Your Clients

## Products Available in The Market



### Lifetime Mortgages

- Secured loan on your property repaid on death or entry into long-term care
- No mandatory monthly repayments (though options exist)
- Plan holders retain ownership of their home, giving them flexibility
- No negative equity guarantee means plan holders will never owe more than the value of their home
- Prospective customers need to be aware that interest rates are often higher than standard residential mortgages, and amounts owed can grow rapidly as interest it accrued

### Main types of Lifetime Mortgage

- **Roll-up/lump sum mortgages** provide a cash lump sum with no monthly repayments, with interest accruing on the amount of money released
- **Drawdown lifetime mortgage** allow plan holders to release funds as and when they need it. Funds kept in a reserve account, only accruing interest when it's released.
- **Flexible lifetime mortgages** allow plan holders the option to make voluntary repayments to bring down the total loan amount, without incurring any early repayment charges
- **Interest-only lifetime mortgages** allow plan holders to pay off a certain amount of interest each month, allowing them to manage the amount of interest needing to be repaid when their home is sold

# Products to Support Your Clients

## Products Available in The Market



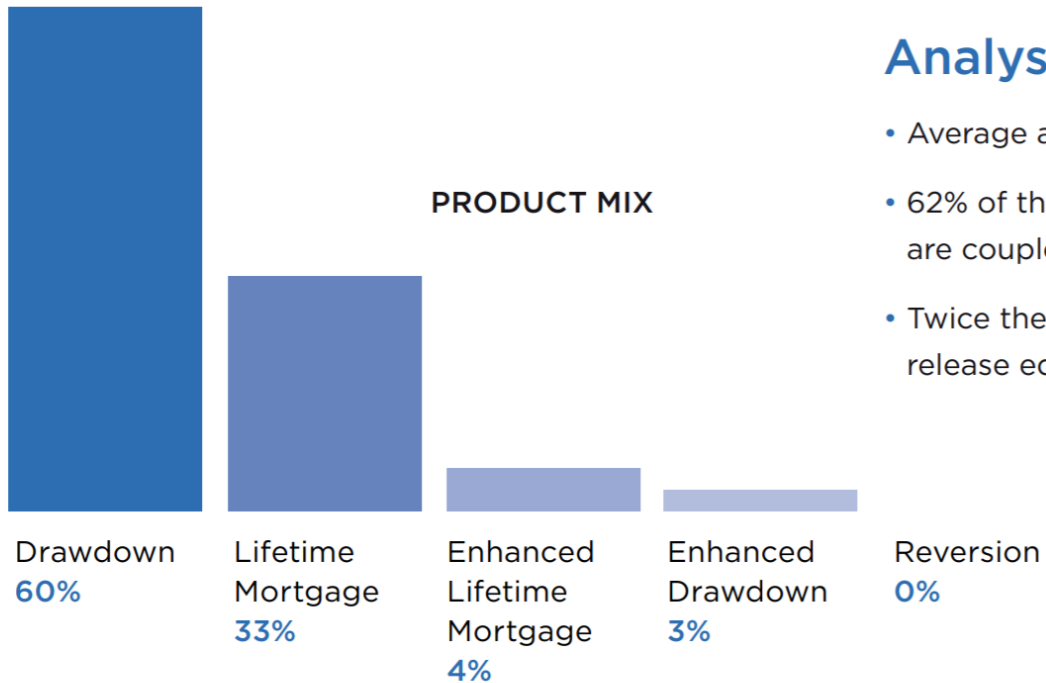
### Home Reversions

- Involves selling part of all of your home to your equity provider and continuing to live in the property rent-free until death or entry into long-term care
- Interest isn't added over the duration of the plan, and home reversions can potentially generate a larger amount than a lifetime mortgage
- However, plan holders will sell at a price below market value and won't benefit from future house price rises

### Retirement Interest-Only Mortgages

- A combination of a standard interest-only mortgage and a lifetime mortgage
- Loan is paid off on death, entry into long-term care, or sale of the house
- Interest repayments are mandatory (and the plan holder's home is at risk if they don't keep them up), and affordability checks will need to be passed to prove repayments can be met
- Amount that can be borrowed is based on both retirement income and (as per a normal lifetime mortgage) the applicant's loan-to-value ratio

# Equity Release Market



## Analysis

- Average age 71, up from 69
- 62% of those releasing equity are couples
- Twice the number of single women release equity than single men



Source: Key Retirement Market Monitor July 2015

<https://www.equityreleasecouncil.com/>

# Products Update

Sovereign	Classic	Heritage	Heritage Freedom 40
<ul style="list-style-type: none"> <li>❖ Age 55 -90</li> <li>❖ No maximum property value*</li> <li>❖ Married couple single app</li> <li>❖ 100% flat roof acceptable</li> <li>❖ Up to 20 acres of land acceptable</li> </ul>	<ul style="list-style-type: none"> <li>❖ Market leading interest rates</li> <li>❖ Flexible repayments</li> <li>❖ Fixed ERC's</li> <li>❖ LTV's to suit all lending requirements</li> </ul>	<ul style="list-style-type: none"> <li>❖ Flexibility with ERC'S</li> <li>❖ No upper age limit</li> <li>❖ Flexible repayments</li> <li>❖ Minimum Property Value £70k*</li> <li>❖ No Maximum Property Value*</li> <li>❖ Higher LTV focus</li> </ul>	<ul style="list-style-type: none"> <li>❖ 40% ERC-Free annual overpayment allowance</li> <li>❖ Up to 12 monthly payments in a 12 month period</li> <li>❖ Focus on flexibility</li> <li>❖ Fixed ERC's</li> </ul>



# Regulatory Issues Vulnerable Customers



Becoming more and more of a focus

## What is vulnerability?

A **vulnerable individual** is someone who, due to their personal circumstances, is especially susceptible to detriment, particularly when a firm is not acting with appropriate levels of care.



# Regulatory Issues

## Vulnerable Customers

- Customers can move from '*potentially*' to '*particularly*' vulnerable
- Some will be in a vulnerable situation once, and for only a limited period of time (Covid-19 is a perfect example of this)
- Many will experience repeated '*episodes*' of vulnerability due to illness or common events
- Others will have longer-term and more constant needs



# Regulatory Issues

## Who Are Vulnerable Customers?



**The FCA have identified 4 key drivers which may increase the risk of consumer vulnerability:**

- **Health:** health conditions or illnesses that affect the ability to carry out day-to-day tasks
- **Life events:** major life events such as bereavement, job loss or relationship breakdown
- **Resilience:** low ability to withstand emotional or financial shocks
- **Capability:** low knowledge of financial matters or low confidence in managing money (financial capability). Low capability in other relevant areas such as literacy or digital skills

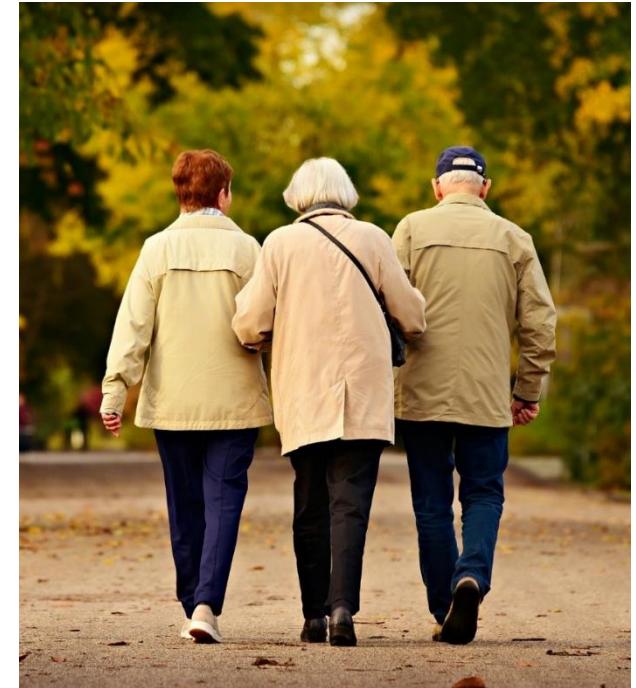
Some groups are more likely to display characteristics of vulnerability than others, such as those over 75, those unemployed, those who rent and those with no formal qualifications. Consumers will often display more than one characteristic of vulnerability.

# Regulatory Issues

## Accommodating Vulnerable Customers

**There are a number of things you can do to accommodate vulnerable customers**

- **Keep it simple**  
Discussing each feature or option individually
- **Involve trusted family**  
Asking if someone can support or help the customer with this evaluation
- **Start the conversation**  
Make the customer aware that support is available  
Tailor the approach to their needs



# Vulnerable Customers & The ERC

## The Equity Release Council (ERC) has recently updated its checklist for advisers to include extra focus on vulnerable customers

- Members must now complete an extended checklist, which has been increased from 12 to 24 questions
- Customers will now be encouraged to set up a will and seek professional advice from a solicitor or qualified person if they do not have a power of attorney
- There is also a clear process to identify if a customer has suffered a life event which may leave them in a vulnerable position



## Regulatory Issues - Summary

- There are numerous degrees of vulnerability to consider  
Remember, customers can travel between them
- It's important to assess a customer's mental capacity throughout the process
- Existing frameworks and protocols will help you work with vulnerable customers
- Always maintain an awareness of the things you can do to accommodate vulnerable customers
- We're always here to support you with any questions you may have

# Equity Release Council



**If you are only just venturing into ER or have been in the arena for a while its always worth considering joining the ERC**

- Promotes high standards of conduct
- Provides guidance, standards and advice
- Use of their kitemark to give clients peace of mind
- Kept up to date with compliance issues
- Market trends and stats
- Go on the ERC “find a member” online search facility for customers

**Getting started – then download the ERC Adviser Guide**  
**<https://www.equityreleasecouncil.com/join-us/>**



# Advice Process for Customers

The whole process should take 8 weeks

## Step One

- Equity Release advise and discussion
- Follow the Equity Release Council 24 steps

## Step Two

- Application
- Instructing the client solicitor
- Home valuation

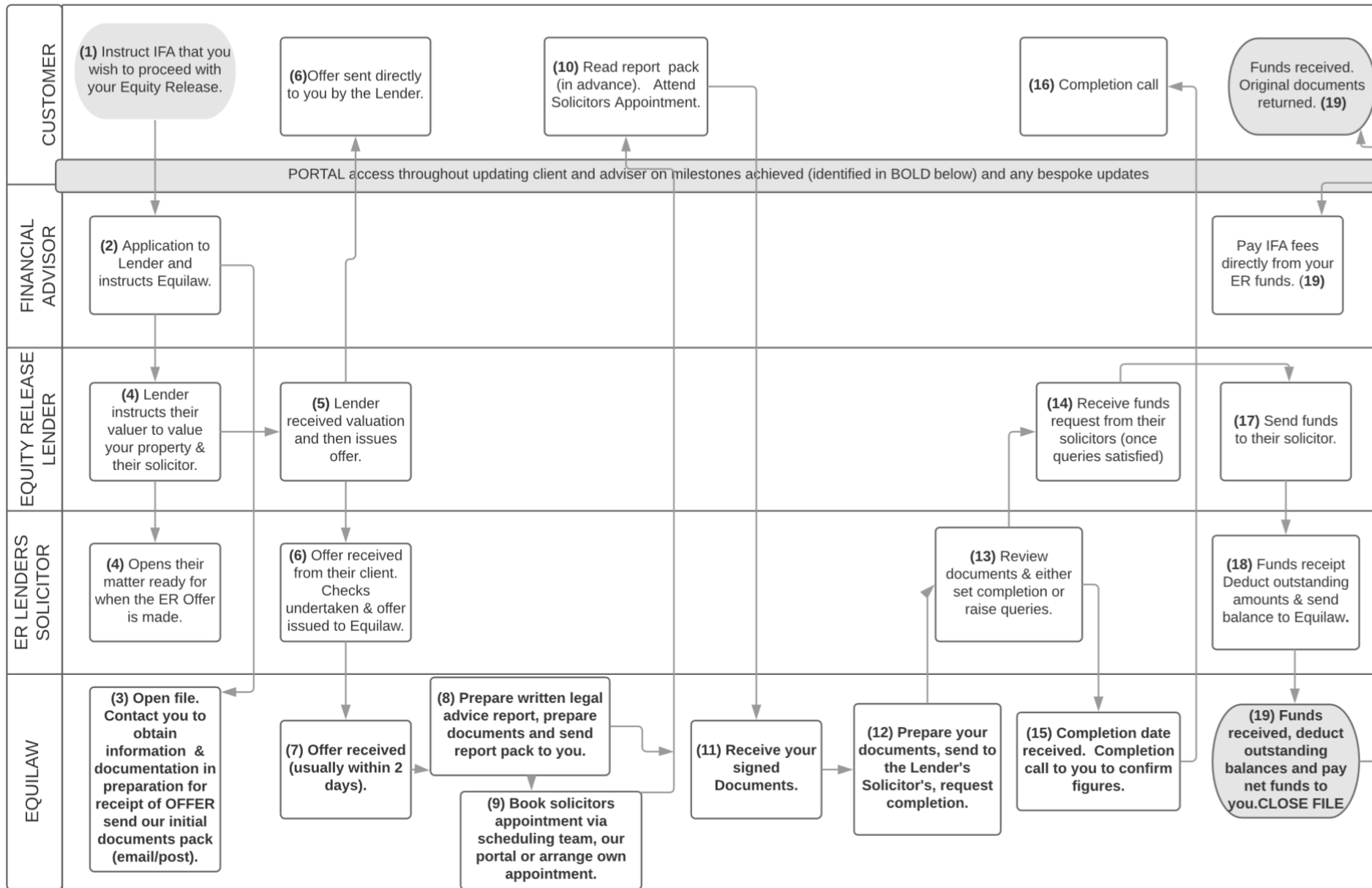
## Step Three

- Offer – confirming amount customer can borrow

## Step Four

- Face to face meeting with the solicitor
- Cash released to Solicitors
- Solicitor will finalise the legal documents
- Monies are released to client

<https://www.equityreleasecouncil.com/wp-content/uploads/2020/06/ERC-appendix-C-adviser-checklist-v9.2.pdf>





# Getting Qualified as an ER Adviser

## Current and Legacy Qualifications

Awarding Body	Required Module Blocks	Qualification
Chartered Institute of Bankers in Scotland	Mortgage Advice and Practice Certificate - Paper 1 and: Equity Release Mortgage Advice and Practice Certificate	ERMAPC
Chartered Institute in Securities and Investments (CISI)	Fellow or Associate with the module: Certificate in Investment and Financial Advice	Fellow or Associate
Chartered Insurance Institute (CII)	Certificate in Mortgage Advice	CII CMA (sometimes referred to module number)
	Certificate in Advanced Mortgage Advice	
	Certificate in Equity Release (formally called Certificate in Financial Planning and Lifetime Mortgages)	CII CER (sometimes referred to module number)
LIBF University College	Mortgage Advice Qualification (MAQ) plus entry requirements	MAQ
	Certificate in Mortgage Advice and Practice	CeMAP
	Certificate in Regulated Equity Release	CeRER



# Clubs and Sourcing Systems



# Opportunities in Equity Release

## Accessing Effective Resources

**We're here to help you engage with your customers and build your business in equity release**

Understanding your customer needs and behavioural patterns is of little value if you don't have ready access to quality resources to help you best reach them. That's where we come in with our **Bespoke Marketing Toolkit**

- New Marketing Workshops this year
- Tailored to your branding and entirely free of charge
- Banners, brochures, leaflets, posters, advertorials
- Digital marketing guides & bespoke e-mail builds
- Quarterly report with all the latest market & customer trends



Contact [marketing@pureretirement.co.uk](mailto:marketing@pureretirement.co.uk)

# Q&A



**Empowering your clients  
with the  
retirement they deserve**



**0113 366 0599**