



Equity Release & its place in Later-Life Planning

Presented by
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To
PFS, Later Life Planning Seminar
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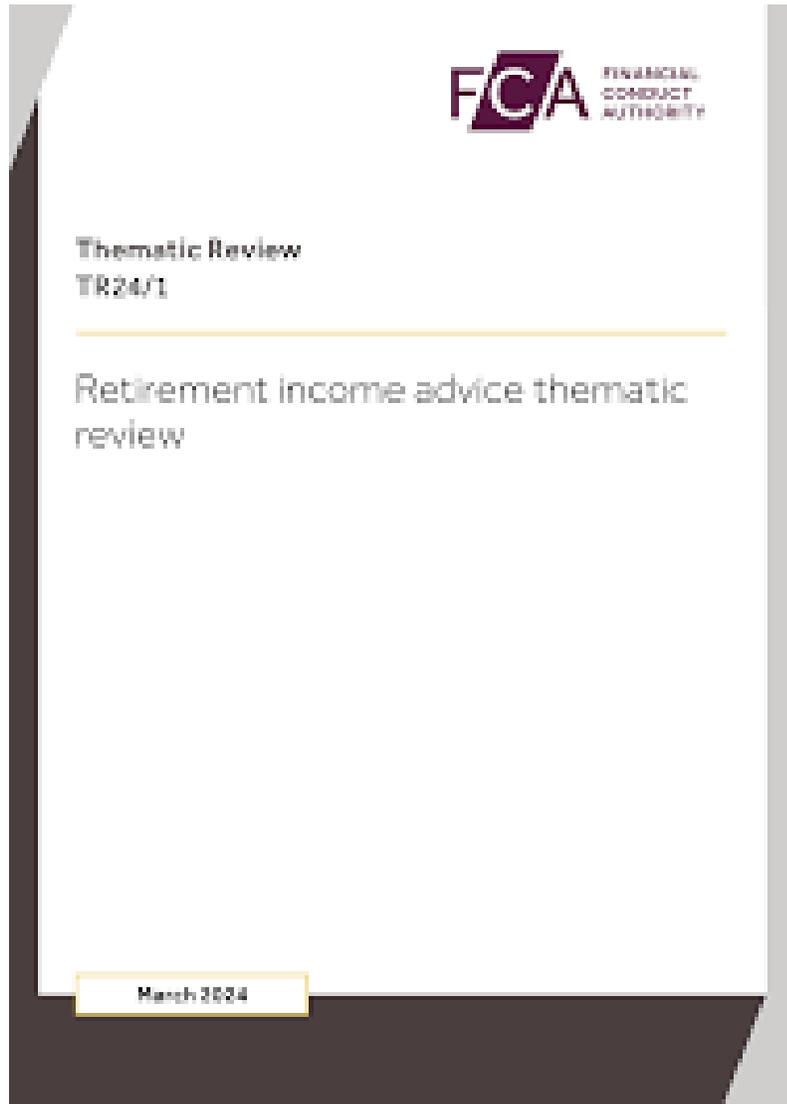
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Learning Objectives

- 🕒 Equity Release – role it can play in retirement income
- 🕒 Bringing ‘rightsizing’ into the client conversation
- 🕒 Understand the place for ‘Equity Release’ in planning for later life
- 🕒 The scope of Equity Release in paying for private care
- 🕒 Property ownership considerations

FCA Retirement Income Advice Thematic Review TR24/1



Centralised Retirement Proposition

Nature and scope of advisory services – Objective: The firm's retirement income advice services are clearly defined and appropriate for its customers.

2.4 There are a **variety of options to meet retirement income needs**. These include annuities, flexi-access drawdown, UFPLS, small pots encashment, non-pension income from ISAs or other assets **and lifetime lending**. The **appropriate strategy for providing income may include a combination of solutions**. Individual customers may have very different objectives. Some may require income to be sustainable throughout the individual's lifetime, whereas others may want to take more, or possibly all, available income to meet a specific objective in earlier years.

Design and delivery of advice process

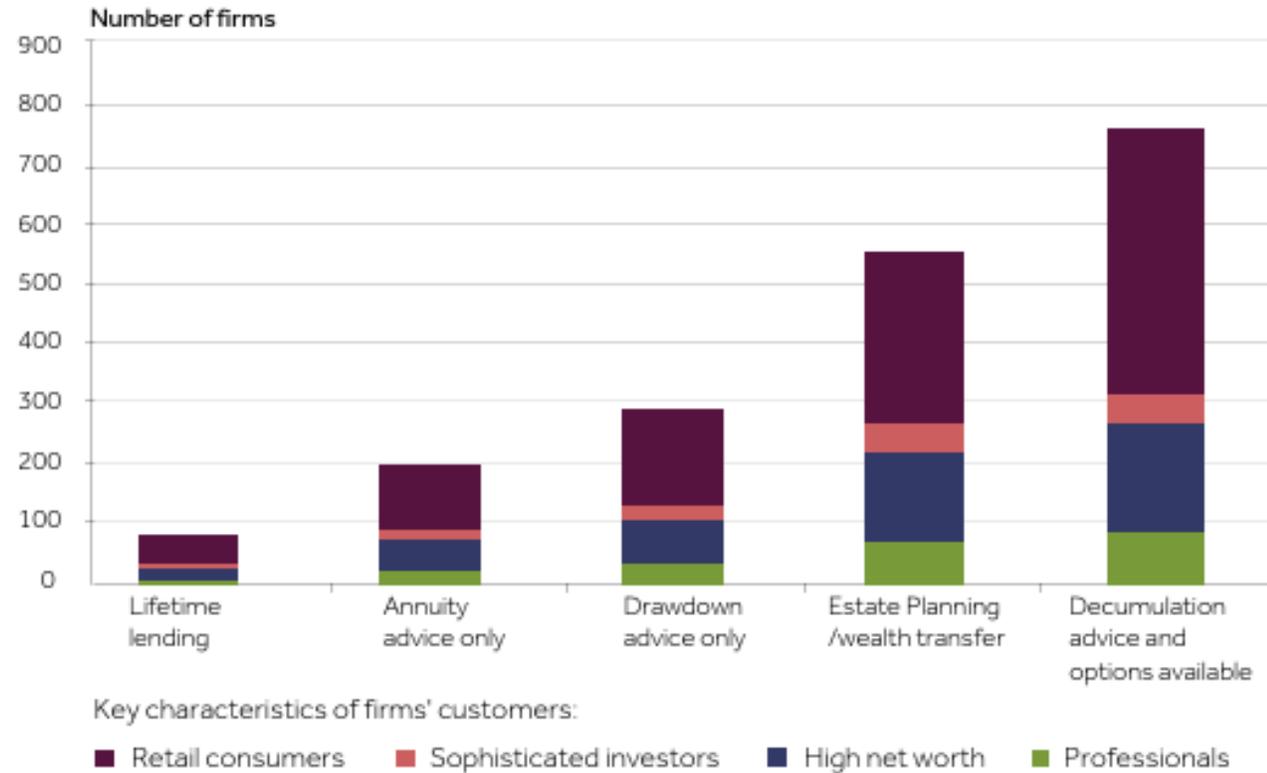
Lifetime lending – Objective: Firms have appropriate controls in place to ensure lifetime lending recommendations are suitable for decumulation customers.

4.10 Using FCA regulatory returns, we identified 962 firms (21%) that **provide retirement income advice had also advised on lifetime lending products** during 2022. Over this period, 847 firms (88%) had **sold 10 or less lifetime mortgages**, and 38 firms (4%) had sold 20 or more.

4.11 As part of the CRP reviews, we considered **how lifetime lending fitted into firms' retirement income advice models**. We assessed whether firms took a **holistic approach** to advice for consumers in later life, and whether there were potential conflicts that could drive inappropriate advice. We found that, generally, firms **approached lifetime lending as a distinct and separate area of advice**, only tending to bring this into consideration as a **last resort** for relevant customers.

Equity Release featured

Figure 1: Most common customer characteristics and objectives of firms' customers



Firms were able to answer with more than one option – 456 firms provided answers

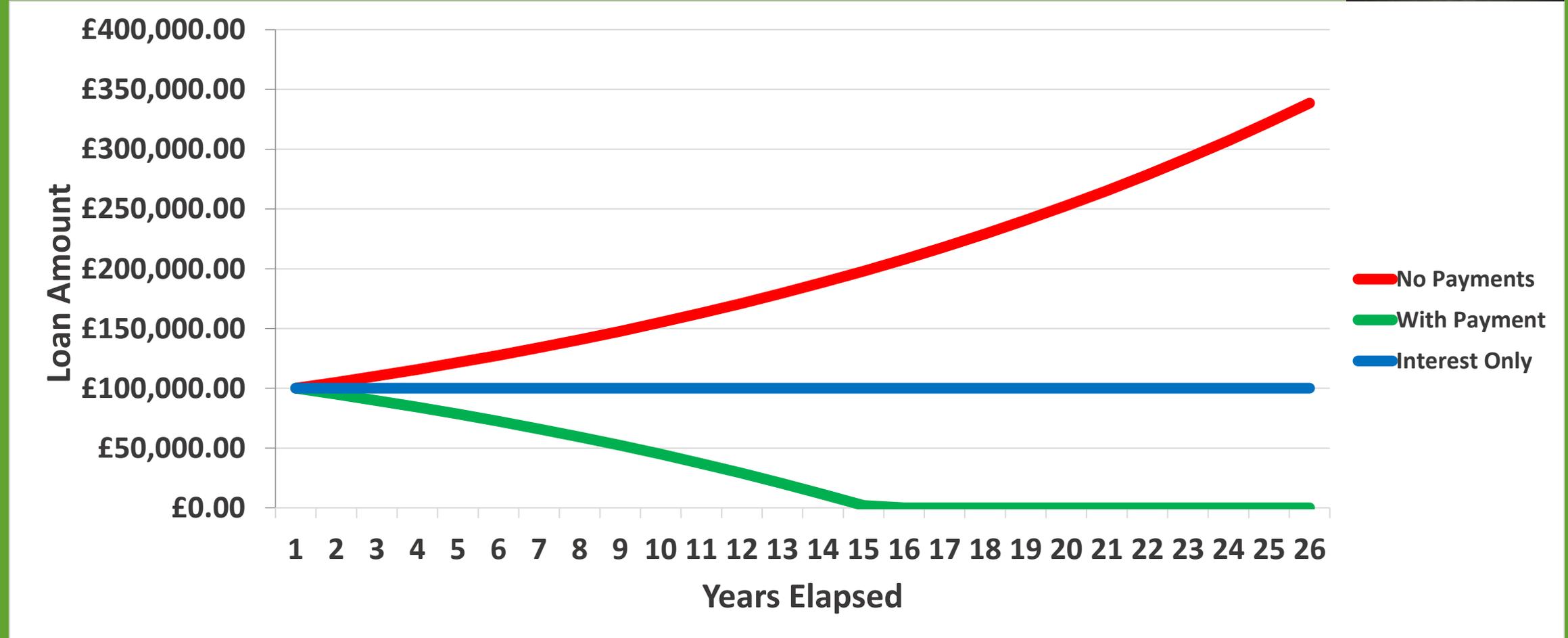
FCA Retirement Income Advice Thematic Review TR24/1

 *From accumulating..., to decumulating...*



**HOLISTIC
APPROACH**

Later-Life Mortgages: *meeting budget and preferences*



We need to talk about Property!



Property inheritance...

*Bugger! Can't I
just have your
pension instead
Dad?*

*One day son,
all this will be yours*



Downsizing - *sociable*?



Downsizing - *practical?*



Ageing in place; *practical?*...



Not 'downsizing' - *Rightsizing!*



Pitfalls to avoid!

Sole owner, co-habiting / married (*the case of Sally & Ian...*)

- ⦿ Risk of homelessness - Deed of Consent (aka 'Occupancy Waiver')
- ⦿ Make provision (*e.g. life policy in trust*)
- ⦿ Add to Title (*e.g. 1% share as Tenants-In-Common*)

Tenants-in-Common (*the case of Dave...*)

- ⦿ Will - leaving property share to others
- ⦿ Trust kicks-in; *NO NEW Equity Release*

Power of Attorney

- ⦿ Choose attorneys with extra care; 'Joint & Several', joint-owners (*Land Registry requirements*)
- ⦿ No POA? *COP Order, Solicitor-Deputy costs (averaging London case £6,304.03pm)*





Tips!

To pay, or not to pay, that is the question

- ⦿ Wot, no savings?
- ⦿ Making capital repayments: *it's a one-way street*

Good Fact-Finding

- ⦿ Forever home?
- ⦿ Jointly-owned; *question together, then separately*
- ⦿ Trigger for moving home (*to where?*)
- ⦿ If care need arose; property future-proofed? (*accommodate a carer? / adaptable? / install stairlift or occupy ground-floor / install a wet-room?*)

Equity Release, in meeting care needs

Residential Care

- 🕒 Sole owner in care – *NO equity release options*
- 🕒 Jointly owned, 1 in care – *okay (funds benefit both)*

Domiciliary Care

- 🕒 The number of people receiving care in their own home is almost 960,000*.
- 🕒 Almost 3x the number in residential care

Immediate Needs Annuity purchase

- 🕒 Include a Drawdown Cash Reserve Facility

*SOURCE: England: 818,000 (2021/22) – source: [NHS Digital](#) Wales: 28,596 (2018/19) – source: [StatsWales](#) Scotland: 89,620 (2022/23) – source: [Public Health Scotland](#) Northern Ireland: 23,248 (2023) – source: [Department of Health UK](#)
total: 959,464



The over 50's in separation & divorce

- 🕒 **1:3** divorces occur **over age of 50** ¹
- 🕒 Divorce rate for the **over 60's** is **2.5x higher** for **remarriages** than 1st marriages ²
- 🕒 For **women**, average household income **falls 41%** in year after separation ⁴
- 🕒 For **men**, average household income **falls 21%** in year after separation ⁴
- 🕒 **58%** said **property** is their **biggest concern** ⁴
- 🕒 **50%** said they'd split their home in a divorce ³
- 🕒 **8%** will use **Equity Release** ⁴

SOURCE:

1) Office for National Statistics, Divorces in England and Wales, 2019 dataset

2) Brown, S.L & Lin, I.F. (2012). The Grey Divorce Revolution: Rising divorce among middle-aged and older adults, 1990–2010 *Journals of Gerontology*, 67, 731–7412)

3) Legal & General research, September 2020

4) Legal & General; Opinium Research conducted research between 20th November to 4th December 2023, among a nationally representative panel of 2,750 UK adults who are divorced, 2,000 of which were aged over 50

How to resolve?



Equity Release Calculator @ laterlivingnow.com

Equity Release Calculator

Enter basic information below to find out how much cash you could release from your home with a Lifetime Mortgage. No contact details are required.

Homeowner Details

Single Joint

Age (youngest if couple)

55

Value of Home

£ 400,000

 1.0%	 20.7%	 24.5%
Minimum Loan facility*	Average Loan on standard terms	Maximum Loan on standard terms
£10,000	£82,800	£98,000

*Subject to a minimum initial advance of £10,000

The figures are illustrative only, based on LTVs published as @ 29/08/2023. Actual LTVs available at the time of application will depend on the product chosen. They may be higher or lower than the figures displayed above and subject to change. Average LTVs are based on data from Key Group and show the typical amount released at each age.



Contact the Laterlivingnow! Team

Qualified, trained, experienced, passionate!



A SAFE
PAIR OF HANDS

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