EQUITY RELEASE

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An introduction to

LIFETIME MORTGAGES

SUPPORTING YOUR LATER LIFE CLIENTS

Could your clients benefit from equity release?

For Intermediary Use Only

AGENDA

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- ✓ Retirement Landscape
- ✓ Market Trends
- ✓ Understanding Customers
- ✓ Why Your Clients May Consider Equity Release
- ✓ Uses for Equity Release
- ✓ What Is It Exactly?
- ✓ Product Innovation
- ✓ Client Case Studies
- ✓ Considerations and Duty of Care
- ✓ Summary

RETIREMENT LANDSCAPE

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Traditionally retirees have drawn income from state and occupational pensions, as well as annuities. However increasingly these sources are no longer sufficient to support a good quality of life in later years.

- The State Pension age is due to increase to 68 between 2044 and 2046.
- Defined contribution schemes generally produce lower pension incomes than defined benefit schemes.
- You'll need 35 qualifying years to get the full new State Pension (previously 30 years).
- Almost 1 in 5 (17%) only have the state pension as their pension wealth.

SOURCE: HTTPS://WWW.SJP.CO.UK/SITES/SJP-CORP/FILES/SJP/HOW-CAN-WE-HELP/TOOLS-INFORMATION/SJP_RETIREMENT_REPORT_2025.PDF

EQUITY RELEASE MARKET TRENDS

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Older homeowners unlocked £636 million in property wealth with 14,404 new and returning customers in Q2 2025.

- In the second quarter of 2025, 55% of new plans included a drawdown facility. This marks a modest rise from 53% in Q1 2025, but a slight dip compared to 56% in Q2 of the previous year.

- At the end of Q2 2025, there were 1,669 plans on the market which is an increase from at the end of Q1 2025 (907).

SOURCE: EQUITY RELEASE COUNCIL MARKET BULLETIN Q2 2025 LENDING DATA – FULL REPORT

UNDERSTANDING CUSTOMERS

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It's important to gain an understanding of the situations and emerging trends among those in later life, and the ways in which you can engage them and offer the great levels of service they require.

- The current gender pensions gap sits at 37% with the average male pension pot being £25,652 and the female pension being £16,169.*

- 43% of working-age adults are under-saving for retirement.**

- One in five (21%) UK adults don't know when they will retire.***

SOURCE: * UK PENSION LANDSCAPE | AVERAGE PENSION | PENSIONBEE , ** ANALYSIS OF FUTURE PENSION INCOMES 2025 - GOV.UK, *** ONE IN FIVE UK ADULTS DON'T KNOW WHEN THEY WILL RETIRE - PENSIONS AGE MAGAZINE

UNDERSTANDING CUSTOMERS

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Financing later life is becoming an increasing concern for the over 50s, with many remaining in work longer than planned and even seeking work again after retirement.

- 48% of pension holders estimate they have less than £50,000 in pension savings.*
- 39% of people aren't on track for a minimum lifestyle in retirement.**
- £23bn potentially unlocked by 2040 by UK households relying on housing wealth to maintain living standards.***

SOURCE: *OVER HALF OF UK ADULTS LACK CONFIDENCE IN AMOUNT SAVED FOR RETIREMENT - PENSIONS AGE MAGAZINE, ** 15.3 MILLION PEOPLE AT RISK OF RETIREMENT POVERTY AS RETIREMENT OUTLOOKS WORSEN - PENSIONS AGE MAGAZINE, *** MILLIONS MAY NEED PROPERTY WEALTH TO FUND RETIREMENT, CLAIMS NEW REPORT | PROPERTY REPORTER

WHY YOUR CLIENTS MAY CONSIDER A LIFETIME MORTGAGE

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- ✓ Limited pensions and retirement savings
- ✓ Insufficient income to cover living costs
- ✓ Outstanding mortgages or debts to pay off
- ✓ Interest only mortgages
- ✓ Changing pension rules

USES OF LIFETIME MORTGAGE

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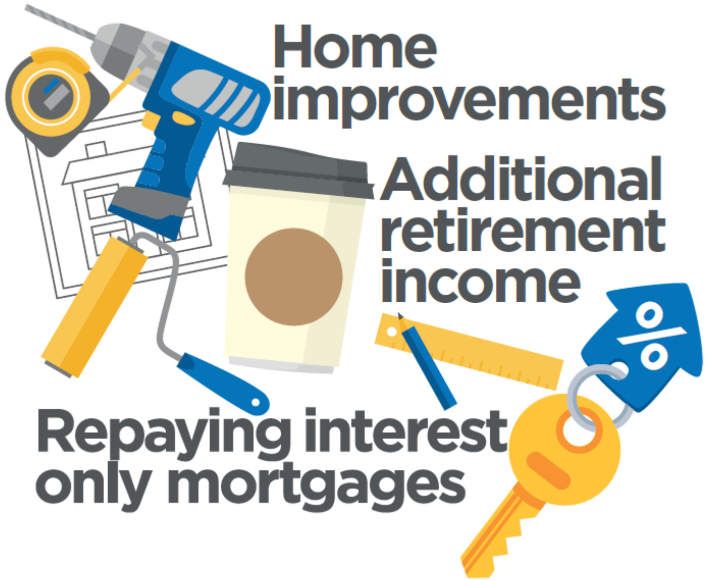
- ✓ Home improvements and adaptions
- ✓ Additional retirement income
- ✓ Helping family and friends get onto the housing ladder
- ✓ Later life care at home
- ✓ Paying off existing loans and debts



WHAT IS IT EXACTLY?

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✓ **A lifetime mortgage is a type of equity release for homeowners aged 55+**

✓ **Clients take out a mortgage secured on their property**

- The property must be their main residence
- Home ownership is retained
- Interest is charged on the amount borrowed – this is either added to the total loan amount or can be repaid
- When the client moves into long-term care or passes away, their home is sold and the loan is repaid using the proceeds from the sale

TYPES OF LIFETIME MORTGAGE

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1) **An interest roll-up mortgage**

- Either a lump sum or regular payments are received
- Interest is added to the loan
- Regular repayments are not needed
- The total loan plus interest earned is repaid when the property is sold

2) **An interest-paying mortgage**

- A lump sum is borrowed
- Repayments are made monthly or an ad-hoc basis
- The loan is repaid when the property is sold at the end of the mortgage term

TYPES OF LIFETIME MORTGAGE

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1) **Lump sum**
   - A lump sum can be taken at the start of the mortgage term
   - Alternatively a lower lump sum can be taken with a further drawdown facility

2) **Drawdown or income**
   - Allows small amounts to be taken on a regular or periodic basis
   - Interest is only paid on the money actually borrowed

PRODUCT INNOVATION

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The growth of the equity release market has led to product innovation to provide solutions for the varying range of customer needs. These new features can help to minimise the overall cost of accessing housing wealth or allow customers to take equity release in a way that suits them best.

Popular product innovations:

- Downsizing protection for those who anticipate a need to repay their loan when moving to a smaller home in the future
- Voluntary repayments with no early repayment charges
- Inheritance protection
- Ability to make repayments on interest earned
- Regular income lifetime mortgages which provide monthly payments in style of a pension

CLIENT CASE STUDIES

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As we live longer, making the most of retirement is an increasingly popular reason for choosing equity release. Clients have worked hard to buy their homes and the value of their property can provide them with retirement they deserve.

Mr & Mrs Berkeley wanted a loan of £335,000

They wished to repay their existing mortgage, improve their overall standard of living and to purchase a holiday home.

Through a lifetime mortgage they were able to borrow their desired amount and achieve their goals.

CLIENT CASE STUDIES

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Many clients are looking to help younger family members onto the property ladder and equity release can help them do just that

Mr & Mrs Cern required a loan of £53,000

The couple wished to help their daughter purchase her first property, for which she needed a total of £90k.

They had only been able to raise £40k on their own.

By taking out a lifetime mortgage, they were able to help their daughter buy her first home, an outcome which the whole family was delighted with.

CONSIDERATIONS AND DUTY OF CARE

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Open questions are a highly effective way to identify equity release opportunities both amongst your current customers and new leads.

Open questions

- Tell me about yourself?
- What are your plans and aspirations for your future?
- What else is important for you apart from money?
- What are your current outstanding debts and loans?
- What changes would improve your quality of life?

CONSIDERATIONS AND DUTY OF CARE

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As well as accessing cash, wealth protection is also an important consideration for equity release clients.

Protecting a portion of wealth can allow people to leave an inheritance to their loved ones or retain funds to pay for the cost of long-term care.

- As a side effect of equity release can mitigate the impact of inheritance tax
- Equity release can help clients to make the home modifications needed to allow them to receive care in their own homes and preserve some of their wealth
- However it can be difficult to pay for long term residential care through equity release
- Equity release can be used to give a ‘living inheritance’ to support your family

CONSIDERATIONS AND DUTY OF CARE

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What are the barriers of equity release?

It is important to clearly explain to clients the risks and consequences which come with equity release.

- Early repayment can bring expensive charges – clients need to consider whether there might be circumstances in the future in which they wish to repay their loan early
- Borrowers could be at risk from fraudsters due to the very large sums of money involved
- It is important to advise your clients on how equity release may impact their tax and benefits position

SUMMARY

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- ✓ There are significant business development opportunities for advisers
- ✓ Equity release is an increasing popular finance product for the over 55s
- ✓ Traditional retirement planning methods have fallen short for many
- ✓ The rapid growth of the sector has led to product innovation
- ✓ There are risks which come with equity release and as an adviser you have a duty of care
- ✓ We can help by doing all the work for you with our client referral service

Thank you

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