

Client: Home and Capital
Source: Money Marketing (Main)
Date: 15 January 2009
Page: 21
Circulation: 30770
Size: 463cm2
AVE: 2463.16

Ship riding the wave in perfect storm

Equity-release providers believe conditions are right for a business surge as elderly homeowners strive to maintain their standard of living, reports Lee Jones

Equity-release providers believe the economic downturn will create a surge in business.

The sector has been confident of growth for many years but says it is only now that factors have now converged to create the "perfect scenario" for equity release.

Home & Capital managing director Simon Little says: "There are some big drivers for equity release growth right now. Savings rates are well down and many pensioners rely on them to get by. Redundancy is another driver. The over-50s will be hit hardest by lay-offs, sadly, and they will be the ones who find it hardest to reskill and find new work.

"Also, consumers generally are shell-shocked. This quarter, there will be a rapid realisation that savings income has disappeared, essential needs like utilities are on the up and refinancing has become almost impossible for many. The only alternative for many is equity release."

Trade body Ship predicts that sales will be buoyant in 2009. Director-general Andrea Rozario says a new generation of older borrowers will need the product. She says: "Equity release is going to gather momentum because of demo-

graphics and the change we are going through as a society.

"We will see a growing trend of people using equity release to keep up their lifestyle.

King's College has found that among baby boomers, the biggest concern is how they will keep up their standard of living.

"The demand and drivers for equity release will be there in 2009, especially if the Government becomes more interested as this could have positive ramifications for the industry as a whole. It will allow people more information and reduce the fear of equity release."

Ship says 67 per cent of providers believe that interest rate reductions will drive up sales of lifetime mortgages in the next quarter. Debt is also becoming a more important issue.

Rozario says: "We are seeing more people in the 60-plus bracket using equity release to manage debt. It is a real problem but indicative of the consumerist society we live in now.

"The older generation's attitude to money is dying out but they do have assets in the form of property which could be their saving grace."

Little says: "It has been

a real eye-opener for us, seeing the number of older people coming in with unsecured debts as high as £50,000. The wave has been huge, really since summer 2008. It has been surprising."

According to Ship, over 90 per cent of providers think the volume of new business will increase in the next year, with the market growing by over £200m a year to £1.4bn in 2009 and £1.7bn in 2010.

Little says: "We want equity release to become central to retirement planning. The pension crisis is here. Many pensions are as much as a third down and with savings dwindling, the home has become the most significant retirement asset that many older people have, regardless of falling house prices. Equity release needs to be at the centre of the pension debate."

Whatever the industry says about the potential importance of equity release, the key to its success will surely lie in distribution. Research carried out for Retirement Plus by Datamonitor found that 21 per cent of IFAs are not entering the market due to compliance concerns while 18 per cent cite unsuitability of market conditions.

Retirement Plus chief

executive Duncan Young says: "I am deeply concerned. In light of tightening economic conditions, equity release is now a key element in a client's retirement planning options, yet there are too few IFAs dealing with equity release.

"We continually encourage IFAs to sit the exams - and in many cases we have reimbursed their fees - because we firmly believe that excellent, independent advice is what the equity-release market needs."

More than half of providers questioned by Ship felt that to bring IFAs into the market, more training and education need to be provided by the industry. Will promises of growth be enough for advisers to take time to retrain?

Informed Choice financial planner Martin Bamford says in the medium term, equity release will still be a niche product for a limited few retirees. He says: "IFAs are still quite cautious when it comes to equity release, not many are qualified to give advice on it.

"The demand for it comes about when people come to retirement and realise their pension and savings are not enough. It is the last port of call and seen as a bit of an emergency measure."

Client: Home and Capital
Source: Money Marketing (Main)
Date: 15 January 2009
Page: 21
Circulation: 30770
Size: 463cm2
AVE: 2463.16



Bamford admits that it will be a growing sector but is not convinced that IFAs will rush to retrain.

He says: "People are not trusting of residential investment right now, the fear of negative equity is still great. Maybe in 10 years, equity release will be central to an IFA's retirement advice but not right now."



Rozario (above):
'The demand and drivers for equity release will be there in 2009, especially if the Government becomes more interested as this could have positive ramifications for the industry as a whole. It will allow people more information and reduce the fear of equity release'