



SHIP Initiates Debate Into How Equity Release Market Can Evolve To Support Retirement Funding Needs

Evidence Shows Utilising Housing Wealth In Retirement Is Appealing To A Diverse Range Of Customers

25th July 2009: SHIP, the equity release trade body, is due to launch a Discussion Paper at an industry conference led by Baroness Patricia Hollis and hosted by Ernst & Young in London next week (27 July 2009) entitled: "Facing the Future, Redefining Equity Release to meet today's social and economic challenges"

At the heart of the SHIP Paper is new research which shows that there is no longer one "type" of equity release customer, but many. People, at or after retirement, turning to equity release products are becoming more diverse in their needs and circumstances, and are putting their property equity to a much wider set of uses than before, including funding care, tax and estate planning, or enhancing their lifestyle.

Yet SHIP is concerned that while the current regulated equity release sector is doing much to respond to these trends, there are some serious constraints. Indeed market weaknesses are restricting the sector's capacity to adapt products, advice processes, compliance regimes and pricing to fully meet these emerging needs.

As a result, SHIP is launching a debate - involving key stakeholders, such as Government, regulators, consumer organisations and the voluntary sector, as well as the equity release industry - into how the sector can evolve to better meet the needs of different types of customer.

As part of this discussion, SHIP is calling for the Government to launch a formal enquiry into the role which equity release could play in helping to fund today's and tomorrow's retirement funding needs.

Beyond next week's launch SHIP will debate the issues with all of these stakeholders and subsequently announce the findings of this process.



Six types of customer

SHIP's paper suggests possible customers for equity release may fall into six categories, according to their financial circumstances and most important priorities:

Table 1:

Type of customer	Financial circumstances	Eligible for means tested benefits or state support?
Wishes to pay for care in the home and avoid having to move into residential care	Insufficient cash to meet supplementary care needs.	Usually
Needs to supplement very low income (traditional market)	Low income and no other meaningful assets, possibly in debt	Probably
Struggling to manage financially – potential Sale and Rent Back customers (traditional market)	Low income and few assets other than house, living costs a burden	Possibly
Newly retired, wishing to maintain standard of living	Adequate pension but higher expectations	Unlikely
Approaching or in retirement, aspirational, wanting to improve lifestyle	Good pension and range of assets other than home	No
Strategic use of ER for tax and estate planning based on financial advice	High income, large asset portfolio	No

Current Market Constraints and Calls for Action

SHIP has identified many areas that could evolve to fully meet the needs of all customers wishing to utilise property equity, but the big question is when, if ever, it might be prudent to allow that evolution. Key topics for discussion are:



- The capacity for product providers to innovate and improve the flexibility of what is offered to customers, both to traditional customers for which strong safeguards are essential and emerging, better off customers. Equity release is currently regarded as 'high risk' for both. There is no ability to reflect degrees of risk appropriate to different client types
- The cost structure of products relevant for each type of customer: full guarantees are very valuable for many customers, but may be an unnecessary expense for others.
- Whether Government can clarify how benefits eligibility is affected by different types of equity release and make it clear that the equity released is not subject to tax
- Whether, to increase the safe availability of equity release, Government could consider any element of state support, for those most in need, as has been adopted in other countries

Andrea Rozario, Director General of SHIP comments:

"There needs to be a wide ranging debate about the way housing equity may be used in the future, reflecting wider social and economic trends. The people who could benefit from equity release and the products and risks associated with them are not the same as they once were. At present, products available tend to be "one size fits all" whereas people's needs vary greatly.

"It is widely believed that the unmortgaged housing equity held by many older people could help with the huge pressures on retirement and care funding. But the case is not yet proven. Therefore, with our discussion paper, we call for the Government to launch a formal enquiry into how equity release can play a role in helping fund retirement needs now and in the future.

"As an industry we wish to determine how we can respond to this challenge. We invite, as well as Government, the FSA, the third sector, consumer bodies, the legal industry and advisers to work with us to determine how we can help the market to grow safely and adapt for the benefit of the consumer, the government and the wider economy."

- ENDS -

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About SHIP Equity Release:

Safe Home Income Plans (SHIP) is the UK's leading professional body for equity release product providers. Launched in 1991 to promote safe plans, SHIP is dedicated to the protection of the plan holder and the safe growth of the industry. SHIP represents approximately 90% of the providers in the UK.