

Maximum Release Plan

For Professional Adviser Use Only



The plan that allows the customer to sell their home for a cash release but live in it for the rest of their lives.

The Maximum Release Plan is designed for customers who need to release the maximum amount of equity at outset. We place no restrictions on what the cash released can be used for, as we believe that the customer and their financial adviser are best placed to make this decision.

See below for some example rates for customers releasing 100% (99.9% in Scotland) of equity, without the High House Price Inflation Protection or Early Vacancy Guarantee options.

Client	Property Value	Cash Release
Male aged 70	£180,000	£87,242
Female aged 70	£180,000	£79,743
Male aged 85	£400,000	£247,328
Female aged 85	£400,000	£242,951
Male aged 74 Female aged 70	£250,000	£107,015
Male aged 80 Female aged 76	£250,000	£124,167

The above figures are an indication and are for illustration purposes only. Actual amounts released will depend on exact dates of birth. Personalised key facts illustrations are available from our website

Once a customer has released 100% (99.9% in Scotland) they will not be able to release more cash in the future irrespective of what happens to the value of the property.

They will however be able to move to a suitable alternative property and will have a lifetime lease guaranteeing them tenure in their home (or a suitable alternative home) for the rest of their life or until they choose to permanently vacate their home (or a suitable alternative home).

There are two optional features available to customers under the Maximum Release Plan

- Early Vacancy Guarantee.
- High House Price Inflation Protection

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Early Vacancy Guarantee

Because a home reversion plan is partly based on the customer's life expectancy, it can be an expensive way to release cash if they die or need to move into permanent residential nursing care much sooner than expected. Therefore the Maximum Release Plan includes the option of an Early Vacancy Guarantee. If selected, this guarantees a minimum payment to the customer or their estate if they die or leave the property because they need long term care in the first five years.

If the cash payment we paid at the start of the plan was less than the guaranteed minimum payment, we will pay the difference to the customer or their estate. This means that the total amount paid will be at least the guaranteed minimum amount if they die or leave the property for long term care in the first five years.

The percentage guaranteed reduces over the first five years of the plan and ceases in year six. See table below.

Time since plan commenced	Guaranteed minimum total payment (% of the property value or sale price whichever the lesser)
Up to 1 year	80%
Up to 2 years	70%
Up to 3 years	65%
Up to 4 years	60%
Up to 5 years	55%
Over 5 years	0%

If the cash payment we paid at the start of the plan was more than the guaranteed minimum payment, the customer or their estate will not receive an extra payment under the Early Vacancy Guarantee.

We work out the guaranteed minimum payment using the relevant percentage of the open-market value of the customer's home at the start of the plan or when it is sold at the end of the plan, whichever is lower.

Please note that all examples given for the following options are for illustration purposes only. Amounts payable are dependent on actual property value. In particular there is no guarantee that house prices will increase at any particular level or at all, and may even fall.

Example

A 70 year old male who has taken a Maximum Release Plan, with the Early Vacancy Guarantee, on a property valued at £200,000 receives a cash lump sum of £91,300. If the plan ended within the first year the Early Vacancy Guarantee would ensure that the customer or their estate received an additional payment. The payment would be £200,000 (assuming the sale price was not lower) x 80% less the original cash sum of £91,300 = £68,700. If the plan ended in the fifth year the customer or their estate would be guaranteed a minimum payment of £200,000 (assuming the sale price was not lower) x 55% less the original cash sum of £91,300 = £18,700.

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The Early Vacancy Guarantee is optional and must be selected at outset. This guarantee only applies if the plan ends because the customer(s) dies or leaves the home permanently because they need to move into long term care. If they end the plan for any other reason, the Early Vacancy Guarantee is not applicable.

Long term care means the permanent care a customer would need from other people because they have become ill or suffer a disability and leave the property permanently to receive that care.

High House Price Inflation Protection

With most reversion plans the customer does not share in the benefit of any house price increase in the part of their home that they have sold. However, the High House Price Inflation Protection feature provides a customer or their estate with 50% of the increase in excess of 7.5% real house price inflation, when the home is sold.

To determine if the customer or their estate are eligible for a payment under this option, when the plan ends (on death or early vacancy), we do the following calculations. Taking the value of the home at the start of the plan we increase it by RPI* for the period the plan was in force. This amount is then increased at the rate of 7.5% per annum for the same period. If the property sale proceeds exceed this amount, the customer or their estate will receive half of the excess.

Example

Mr Henderson's home was valued at £180,000 when he sold 100% to Bridgewater Equity Release Limited. When Mr Henderson died exactly 6 years later his home was sold for £365,000 (a 12.5% pa increase).

To determine whether Mr Henderson's estate would benefit from the option, the original property value is first increased by RPI*, which for this example is assumed to be 2% per annum. The resulting figure (£202,709) is then increased by an annual growth rate of 7.5% giving us the 7.5% real HPI value of £312,841. The difference between this value and the actual sale price of £365,000 is £52,159.

This growth would normally remain with the reversion provider. However, under this option we will pay Mr Henderson's estate half of the £52,159 excess, providing the estate with an additional £26,080.

If the customer moves home after taking out High House Price Inflation Protection they will not be eligible for a payment at that time, however, a new High House Price Inflation Protection will apply to their new home starting on the day they complete the purchase.

*Bridgewater Equity Release Limited uses the Retail Price Index (RPI All Items) as the measure of inflation.

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