

reductions, and rebates for property owners. The Act clearly states that all steps must take into account the effects of rates on the poor and include appropriate measures to alleviate the rates burden on them.

Government will not interfere in the rates structures that are applied by Municipalities.

Under the circumstances members are advised that if they have issues with the rateable values of their properties and feel as pensioners they are entitled to some form of reduction they must pursue the matter with local authorities in terms of the options that are available to them in their respective areas.

## **RELIEF IN SIGHT AT LAST**

### **Reverse Mortgages / Home Equity Release become a reality in SA**

**S**AARP has had a carefully nurtured dream of being able to point members, often long retired and overrun by the ravages of inflation, toward a possible financial solution if they are property owners.

The principle of using one's property as a source of cash in retirement has been in existence for many years overseas in Europe, USA, New Zealand and Australasia, and is referred to as "Home Equity Release" or "Reverse Mortgage". There are, however, a fairly large number of rocky legal areas, militating against "importing" the product designs as used overseas, directly into South Africa.

Through the cooperative efforts of NEDBANK, SENIORS' FINANCE and RMC who are currently providers of home equity release products, and working with governmental departments, Stonecastle Trust Company, the Financial Planning Institute, the SA National Consumer Union as well as other governmental agencies, SAARP is proud to announce that SAHERPA (the South African Home Equity Release Protection Association) has now been established after much research, negotiation, time and ef-

fort by all of the above parties. The above providers have all applied for membership of SAHERPA.

### **What does SAHERPA stand for and do?**

- SAHERPA, a self regulatory body, will be expected to ensure fair play for all.
- As the name implies, the aims of the Association are to protect consumers, and to ensure the implementation and maintenance of high ethical standards in this industry, which is new to South Africa.
- SAARP holds that its role in SAHERPA is trying to ensure our members have fair and adequate contractual protection when dealing with home equity release providers who are SAHERPA members.
- Members of SAHERPA undertake to adhere to prescribed ethical standards when offering home equity release products to South African consumers, as detailed in the Code of Conduct, which has been approved by all of the above parties.
- Procedures have been established in terms of which product suppliers are regularly audited, ensuring compliance to these rigorous standards. Should a member transgress here, and remain in default, their membership of SAHERPA will be terminated.
- SAHERPA also facilitates an independent dispute resolution mechanism in order to assist customers who might not be happy with their case in context of their home equity release applications. This helps to avoid unnecessary litigation and hopefully achieve mutually satisfactory outcomes, should disputes arise between loan providers and consumers.
- SAHERPA plans to educate the public about the principles of these products, remembering that the concept is new to SA, and can often be complicated.
- SAHERPA wants to empower people by ensuring that they are in possession of



all the relevant facts, prior to entering into major and life-changing contracts. It has made a website available, which consumers should ideally research prior to approaching potential loan providers. For detail, visit [www.SAHERPA.org.za](http://www.SAHERPA.org.za).

- SAARP encourages their members to only consider using product providers that are registered with SAHERPA, irrespective of any "offers, advantages or benefits" that may be extended by non-SAHERPA members that operate in the country.

There will naturally be ongoing development in this area, with new products / participants joining the fray in time. As part of SAHERPA, we would like to take this opportunity to invite all the prospective entrants to the SA home equity release industry to engage us in an ongoing effort, ensuring this industry becomes a pace setter, rather than reluctant follower.

Equity, in the broadest sense, implies that business is done on a fair and reasonably beneficial basis for all parties. Simply put, this is what SAHERPA is attempting to achieve.

### ***What else does SAARP recommend to members i.r.o. Reverse Mortgages?***

We would like members to understand that we don't get any remuneration from Reverse Mortgage contracts members might enter into, and therefore the view taken are expressed solely in terms of experience and feedback obtained from members. Our view is therefore naturally given in good faith. We are unable to analyse individual members' circumstances, which means that these views are generic to Senior citizens. Whilst you may be an exception to some rules, you should, in your own interest, accept that there are sound reasons for these rules, or given recommendations.

- Wait as long as reasonably possible before taking out your RM contract.

The reason is simply the following:

1. A RM (Reverse Mortgage) is a contract which doesn't have a fixed term.

It can e.g. last as long as the lifetime of the longest living of spouses. This means the company granting finance isn't sure of how long they will be lending their money to you.

2. The older you are (the youngest of the couple), the shorter life expectancy, and the shorter the period of the lifelong loan they are making.
  3. The possibility of the loan exceeding the value of the asset by the passing of the longest living is diminished (as SAHERPA members, the finance giver must take the risk and guarantee that in the event of this unlikely but possible event, they will carry the loss, in excess of property values).
  4. Based on the above, reason dictates that the older person will be get substantially more on property of the same value, than a younger person.
- Look at all SAHERPA member products before making a decision.

The reason for this?

1. Financial products are never the same and cater for different circumstances. You should be sure your choice is the best for you.
  2. Be aware of all available choices.
  3. SAHERPA members provide guarantees, other providers may not.
- Ensure that you obtain independent and qualified financial advice before contracting.

Why not a friend, your usual advisor or any other recommended advisor?

1. Well intentioned friends are not always well qualified, especially with regard to a RM
2. Your usual advisor may not be up to date with RM, which is brand new in South Africa. Many very capable advisors are not yet up to date with this brand new and complex concept.



3. Sourcing independent advice means you are under no obligation or pressure to "do the deal", and in fact may find that there are alternatives.
- Make sure you are up to date and have answers to potential questions like:
  1. What happens when my partner passes on?
  2. What is the situation if I find myself having to move into frail care permanently and can no longer occupy my premises as primary residence?
  3. What is the effect on my estate (passing on my assets to my children)?
  4. What penalty (if any) is payable if the RM is cleared before time?
  5. Is there any potential to increase the RM later due to increased property values (you should not count on this, because the reverse is also possible with decreased values)?
6. If you later on decide to move to a smaller property, could the RM be "transferred" (newly registered) and which subjective clauses and / or pre-purchase checks should you go through before signing contracts?
7. What additional costs would be involved in the event of the above?
8. Which types of property ownership qualify for RM & which don't?
- If you are uncertain of any matter, do not sign any documents before asking for advice from qualified sources.
  1. If possible, keep family informed of your decisions in this regard – it will ensure problems don't crop up later with unanticipated implications.
  2. Our opinion is, as people get older, they eventually become less able to handle investment decisions. The long term benefits ensuring annuity income is worth consideration.

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3. This contract provides you with additional, lifelong financial security, not just "delays the day of reckoning".

***Why are we so adamant that you deal with members of SAHERPA only?***

Nedbank, Reverse Mortgage Company and Seniors' Finance have put their hands deep into their pockets to finance the establishment of SAHERPA. They have not only paid for the establishment costs, but are paying enough in membership fees to enable SAHERPA to:

- Contract the independent auditing firm, BDO Spencer Steward, to do an audit of RM product supplier as a prerequisite condition of their application for membership of SAHERPA.
- Pay the running costs of SAHERPA.
- Play a major role in informing the public about the whole Equity Release Industry as a new industry in South Africa.
- Maintain an informative website:  
[www.SAHERPA.org.za](http://www.SAHERPA.org.za)
- Are willing to submit themselves to an agreed Dispute Resolution Procedure.
- Have an annual audit of all suppliers done, ensuring compliance to the agreed code of conduct (see it on the website).

We are of the opinion that product suppliers that are ready, willing, able and happy to pay costs and in addition, agree to an annual compliance audit of their procedures by independent auditors, must have the interests of this new Industry at heart.

***SAARP OFFERS A NEW SPECTACLE SERVICE***

SAARP is pleased to announce a service whereby members on production of the SAARP Membership Card are able to obtain professional services at ver special rates from any Spec-Savers branch in the country.

Spec-Savers is a nationwide grouping of optometrists dedicated to finding cost effective ways of delivering eye-care to the SA public without compromising quality and professional standards. Spec-Savers offer you a large selection of spectacle frames. These vary in design feature and price, ensuring that you find a frame to meet your personal needs. Their highly trained optical assistants will assist you in selecting a frame within your budget that expresses your personality and facial characteristics.

In an effort to provide you with the most up to date frame range at the best prices, Spec-Savers is constantly exploring alternative local and overseas markets. The vast majority of their stock is however, imported directly from overseas. By cutting out the middleman they are able to pass savings on to our members.

- Single vision spectacles (frame, lenses and eye test) - R 475-00,
- Bifocal spectacles (frame, lenses and eye test) - R 725.00,
- Multi-focal spectacles (frame, lenses and eye test) - R 1 125.00,
- All lenses receive a free UV coat to the value of R 150.00,
- My Own Loyalty Card with 2.5% of invoice value available on card for future optical / healthcare spends.

Spec-Savers also have a mobile service which is available to visit retirement homes and clubs in certain areas. This mobile practice is focused on bringing their services and facilities to the point of use, wherever it is possible. This practice consists of two medium duty vehicles, the first of which is a complete refraction unit equipped to equal the clinical standards found at any optometric practice. The second is an administrative unit and carrier of about 500 prescription frames on display. This practice can accommodate any type of client, ranging from cash transactions to credit cards, medical aids to Edcon, RCS and company guarantees.