

## Information Statement

This information statement is a requirement under ASIC instrument 18-0926

### KEY INFORMATION ABOUT THE EQUITY RELEASE DEED

#### What is an Equity Release Deed?

The Equity Release Deed (**ERD**) allows you to obtain cash payments in return for releasing equity in your home to the DomaCom Fund (**Fund**). The cash payments may be taken as a lump sum or in instalments.

While no interest is charged, you will be required to pay service fees every five years in advance (including from the first day of the contract) by releasing further equity in your home.

If you sell your home or die, the Fund will be entitled to its share of sale proceeds from the sale of your home. The sale proceeds the Fund is entitled to will depend on the amount of the Fund's equity in your home at that time.

#### How will I be charged service fees?

You will be charged services fees each 5 years in advance as a percentage of the amount of equity the Fund has in your home.

**The percentage rate used to calculate the service fees will stay the same for as long as ERD is in existence.** What rate applies will depend on your gender, your age and the amount of equity you choose to release in exchange for your cash payment.

The service fees can only be paid by releasing further equity in your home. You will not receive further cash payments for releasing this equity. Each service fee is calculated based on the Fund's current proportion of interest in the equity in your home. This means that the Fund's proportion of interest will gradually increase.

#### How much equity will I have left when my ERD contract ends?

The longer you remain in the ERD, the more the service fees will compound and the smaller your interest will become. Your equity in your home will eventually reach 0%, unless the ERD ends at an earlier time (e.g. if you agree with the Fund to buy back the Fund's interest or you sell your home to a third party or you die).

Your proportion of equity at the time of buying back the Fund's interest or selling your home to a third party – and how much money you will need to pay to the Fund in those circumstances – will depend on how much equity the Fund holds by that time.

To understand how the ERD works, let's say the value of your home is \$500,000 and you agree to transfer 20% of the equity in your home to the Fund in exchange for a cash payment of \$100,000. Let's also assume that you are 60 years of age, for which your fixed service fee rate is 4.4% p.a. and 4.54% p.a. for males and females aged 60 respectively.

**What if the value of your home stays the same?**

For a Male aged 60 years, the Fund's proportion of equity will grow from \$128,205 (25.6%) (which is the \$100,000 cash payment plus the first service fee) to \$346,359 (69.3%) over the next 20 years. If the value of your home stays the same over this time, your remaining equity will decline to \$153,641 (30.7%) (see Graph 1 and Diagram 1, below).

For a Female aged 60 years, the Fund's proportion of equity will grow from \$129,366 (25.9%) (which is the \$100,000 cash payment plus the first service fee) to \$362,329 (72.5%) over the next 20 years. If the value of your home stays the same over this time, your remaining equity will decline to \$137,671 (27.5%) (see Graph 2 and Diagram 2, below).

**What if the value of your home goes up?**

For a Male aged 60 years, if the value of your home goes up at a rate of 3% per year, after 20 years your home will be worth \$903,056 and your proportion of equity will be \$277,492 (30.7%) (see Graph 3 and Diagram 3, below).

For a Female aged 60 years, if the value of your home goes up at a rate of 3% per year, after 20 years your home will be worth \$903,056 and your proportion of equity will be \$248,650 (27.5%) (see Graph 4 and Diagram 4, below).

The following graphs, and their corresponding diagrams, below illustrate how the Fund's interest will increase – and your interest will decrease – and what the service fees will be over time. The graphs, and their corresponding diagrams, below assume:

- Home value of \$500,000;
- Homeowner is aged 60 years; and
- 20% equity release (i.e. \$100,000),

and contemplate both:

- males and females and their respective fixed service fee rates; and
- no annual growth in home value and 3% annual growth in home value scenarios.

Graph 1 – Assumes NO GROWTH IN HOME VALUE FOR MALE AGED 60

	Year 0	Year 5	Year 10	Year 15	Year 20
Your age	60	65	70	75	80
Property Value (\$)	500,000	500,000	500,000	500,000	500,000
Service fee (\$)	28,205	36,160	46,360	59,435	76,199
Service Fee (cumulative) (\$)	28,205	64,366	110,725	170,160	246,359
Owner's equity (%)	74.4%	67.1%	57.9%	46.0%	30.7%
Owner's equity (\$)	371,795	335,634	289,275	229,840	153,641
Funds Equity (%)	25.6%	32.9%	42.1%	54.0%	69.3%
Fund's Equity (\$)	128,205	164,366	210,725	270,160	346,359

Graph 2 – Assumes NO GROWTH IN HOME VALUE FOR FEMALE AGED 60

	Year 0	Year 5	Year 10	Year 15	Year 20
Your age	60	65	70	75	80
Property Value (\$)	500,000	500,000	500,000	500,000	500,000
Service fee (\$)	29,366	37,990	49,146	63,578	82,249
Service Fee (cumulative) (\$)	29,366	67,356	116,502	180,080	262,329
Owner's equity (%)	74.1%	66.5%	56.7%	44.0%	27.5%
Owner's equity (\$)	370,634	332,644	283,498	219,920	137,671
Funds Equity (%)	25.9%	33.5%	43.3%	56.0%	72.5%
Fund's Equity (\$)	129,366	167,356	216,502	280,080	362,329

Graph 3 – Assumes 3% ANNUAL GROWTH IN HOME VALUE MALE AGED 60

	Year 0	Year 5	Year 10	Year 15	Year 20
Your age	60	65	70	75	80

Property Value (\$)	500,000	579,637	671,958	778,984	903,056
Service fee (\$)	28,205	41,920	62,303	92,598	137,624
Service Fee (cumulative) (\$)	28,205	70,125	132,428	225,026	362,650
Owner's equity (%)	74.36%	67.1%	57.9%	46.0%	30.7%
Owner's equity (\$)	371,795	389,092	388,761	358,083	277,492
Funds Equity (%)	25.64%	32.9%	42.1%	54.0%	69.3%
Fund's Equity (\$)	128,205	190,545	283,197	420,901	625,564

Graph 4 – Assumes 3% ANNUAL GROWTH IN HOME VALUE FEMALE AGED 60

	Year 0	Year 5	Year 10	Year 15	Year 20
Your age	60	65	70	75	80
Property Value (\$)	500,000	579,637	671,958	778,984	903,056
Service fee (\$)	29,366	44,041	66,048	99,053	148,550
Service Fee (cumulative) (\$)	29,366	73,407	139,455	238,507	387,057
Owner's equity (%)	74.1%	66.5%	56.7%	44.0%	27.5%
Owner's equity (\$)	370,634	385,626	380,998	342,628	248,650
Funds Equity (%)	25.9%	33.5%	43.3%	56.0%	72.5%
Fund's Equity (\$)	129,366	194,011	290,960	436,355	654,406

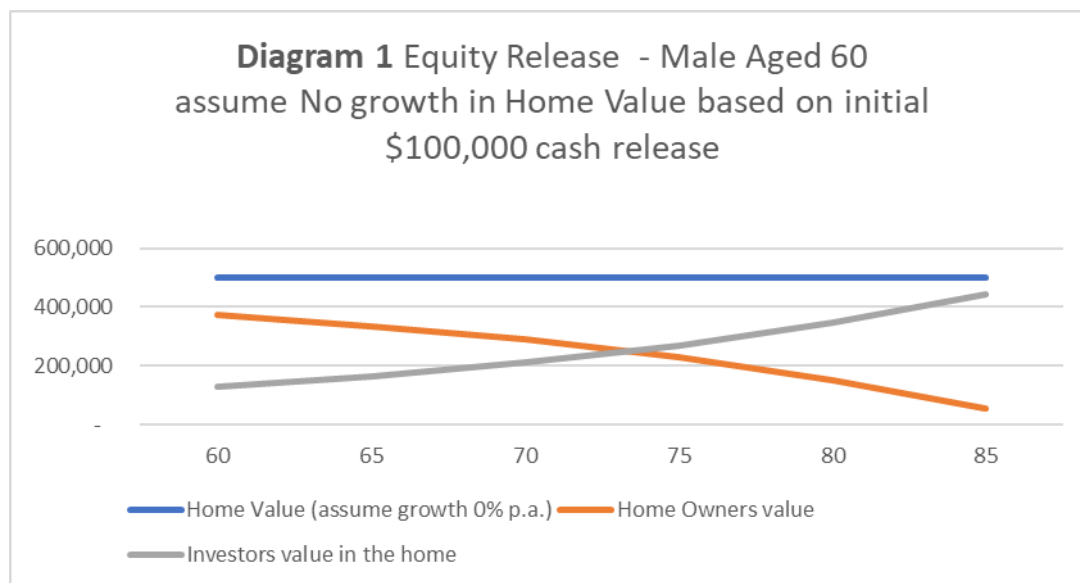
The examples above assume that service fees are compounded annually and are assessed at 5 year intervals, and you do not choose to release further equity in exchange for further cash payments.

Based upon the above tables, if the home does not grow in value, a Male will run out of equity at the age of 87 and a female will run out of equity at the age of 86 In the situation

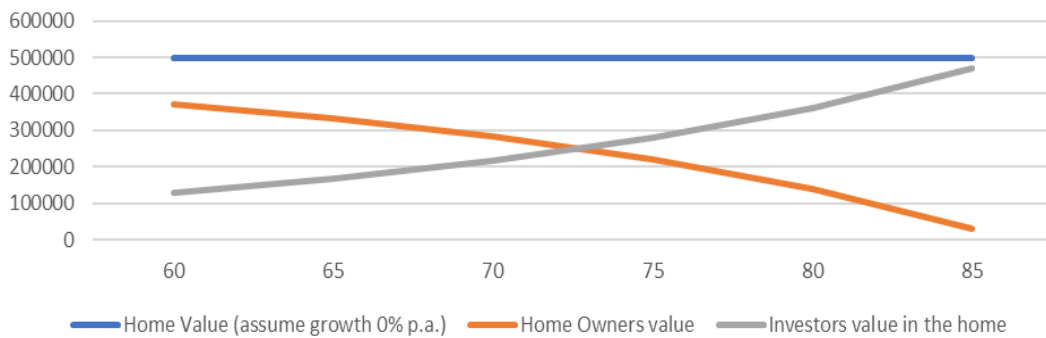
that the home grows in value at 3% p.a. the male will run out of equity at the age of 87 and the female at the age of 86.

Your equity will run out sooner if you release a larger amount of equity for your cash payment or if your service fee rate is higher. For example, the service fee rate for a 60 year old female property owner releasing 30% of the equity in her home would not be allowed under the DomaCom Product as she would run out of equity too quickly. The maximum payout amount for a Female age 60 years of age would be 24% of the value of the house being \$500,000 representing \$120,000 payout amount.

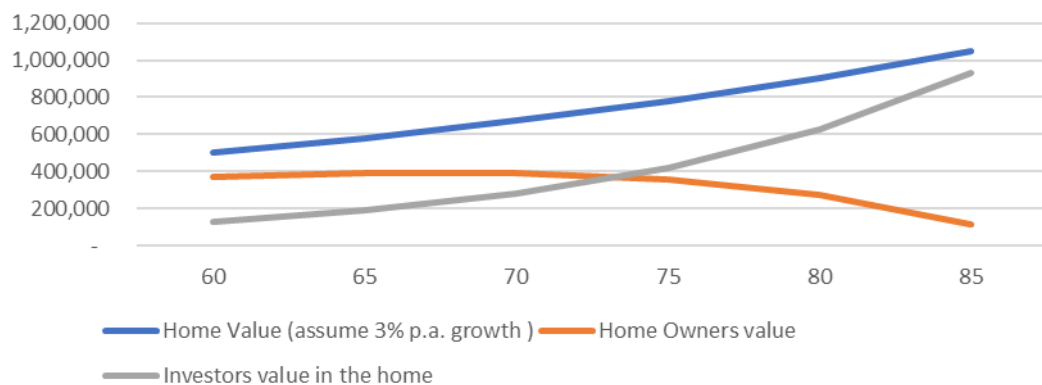
**You should discuss the effect of the service fee rate in your circumstances with your financial adviser.**



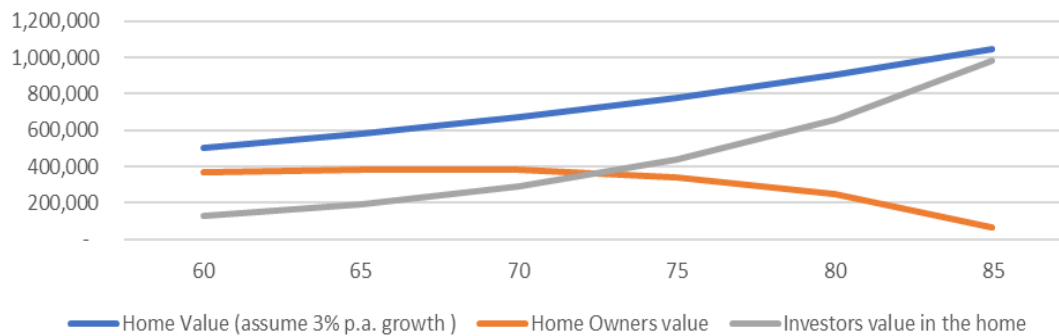
**Diagram 2** Equity Release - Female Aged 60  
assume No growth in Home Value based on initial \$100,000  
cash release



**Diagram 3** Equity Release - Male Aged 60  
assume 3% p.a. growth in Home Value based on initial  
\$100,000 cash release



**Diagram 4** Equity Release - Female Aged 60  
assume 3% p.a. growth in Home Value based on initial  
\$100,000 cash release



This example assumes the service fees are compounded annually and are assessed at 5 year intervals, and you do not choose to release further equity in exchange for further cash payments.

**THE EQUITY RELEASE DEED MAY NOT BE SUITABLE FOR EVERYONE. WHAT ARE THE ISSUES TO CONSIDER IN DECIDING IF IT IS RIGHT FOR YOU?**

<p>How will the ERD affect your future choices?</p>	<p>When thinking about the ERD, you need to consider both your current and future needs. The more equity you release to the Fund now, and the younger you are when you release that equity, the less equity you will have in your home to pay for your needs as you age. How might your health and living situation have changed in 10, 20 or 30 years' time? If you use up too much of your equity too soon, you may not be able to afford future costs such as high medical expenses, the need to move into aged care accommodation, essential home maintenance or the purchase of a motor vehicle.</p>
<p>How much of the equity in my home will the Fund get by the end of the contract?</p>	<p>You can only estimate how much equity in your home the Fund will get. The exact amount will depend on how much equity you choose to release in exchange for cash payments, the percentage rate applying to your service fee calculation and how long you remain in the ERD.</p>

Will I ever owe more than what my home is worth?	Under the terms of the ERD the Fund guarantees that when your ERD ends and your home is sold to pay the Fund the value of its share in the equity, you will not have to pay more than the value of your home. There are a few exceptions to this rule.
Will other people living in my home be affected?	The ERD will end when you sell your home or die. If you are the home owner and someone else is living with you, the other resident, if they are not registered on the title to your home, will have to move out when the contract ends.
Will I be able to leave my children an inheritance?	The ERD will reduce the amount of equity in your home you can leave to your children or other beneficiaries. You may wish to discuss this with your family.
Are there alternatives more appropriate for me?	There may be alternatives to entering into the ERD that may be more suitable for your needs. These can include downsizing, making arrangements with other family members, accessing government benefits, loans (such as pension loans scheme), using savings or selling other assets, reverse mortgages or home reversion schemes.
Will I incur costs for ending the ERD early?	A termination fee will apply if you buy back the Fund's interest in your property or sell your property to a third party. The amount of the fee is limited to the amount necessary to reimburse the Fund for the reasonable administrative cost of terminating the ERD.
Will my pension change?	The ERD may affect your pension or other Government entitlements. You can contact the Department of Human Services (Centrelink) on 132 300 to talk to a Financial Information Service Officer about how your pension may be affected.



### **EXEMPTION BY THE AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION (ASIC)**

Components of the ERD mean that it is a ‘derivative’, which is a type of financial product regulated under the *Corporations Act 2001*.

However, ASIC has granted an exemption in respect of the ERD so not all of the consumer protections that usually apply to persons advising clients on derivatives and persons issuing derivatives will apply when your financial adviser discusses the ERD with you or you acquire the ERD.

Instead, ASIC has applied a number of other protections to the advice you receive. For further details or to obtain a copy of the ASIC exemption, please contact DomaCom Australia Limited on: 1300 365 930

### **SOURCES OF OTHER INFORMATION**

**ASIC’s MoneySmart:** To find out more about home reversion schemes and other products such as reverse mortgages, visit the Australian Securities and Investments Commission’s free consumer website at [www.moneysmart.gov.au](http://www.moneysmart.gov.au) or call 1300 300 630.

**Your financial adviser:** Before you can enter the ERD, you must first get financial advice about the ERD from a qualified financial adviser who has completed training on the ERD. You can speak with your financial adviser to help you to understand the ERD.