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AN ADVISER FOR LIFE

La Trobe Financial's **Cory Bannister** on why brokers would do well to wise up to the ageing customer segment



IN THE 21st century, human beings are a blessed bunch, lucky enough to be enjoying the longest life expectancy in history. And yet every rose has its thorn, and for longer life spans that thorn is inadequate pensions and strained healthcare resources. Add to the mix the cost to individuals of transitioning into aged care living, and it's easy to see that with a long and healthy life also comes the unfortunate need for more finance. It's a burden for many, and brokers are in a unique position to lift this burden, whether they already know it or not.

This "avalanche of an ageing population", as La Trobe Financial's

chief lending officer Cory Bannister puts it, will drastically drive demand for aged care lending for decades to come, and the boom has already begun.

Data from the ABS shows that the number of people aged 85 and over has increased by 153% over the last two decades, and this trend is expected to accelerate. The first round of the massive baby boomer cohort hit retirement age in 2011, and the aged 85-plus cohort is predicted to double by 2030.

The risk associated with an ageing population is an increased burden on a shrinking working population, and future generations struggling to

"Very commonly, the middle-aged children are actually the key decision-makers for their parents, and brokers are ideally positioned to be the children's trusted advisers"

meet an ever-increasing number of pension commitments.

For the working demographic left behind, there is also a responsibility to provide adequate housing and health care for those in their twilight

years. But with housing comes the need for borrowing, and this is where La Trobe's Aged Care Loan comes in.

Specifically designed to facilitate the move from normal housing into

aged care, the Aged Care Loan is a trailblazing product catering to a market segment that is rife with opportunity, and growing.

"...we see significant opportunity to assist elderly borrowers as the baby-boomer demographic wave peaks in the years ahead", Bannister tells *Australian Broker*. Currently, prospective aged care residents must pay a lump sum Refundable Accommodation Deposit [RAD] or a regular Daily Accommodation Payment, both fees of which can exceed \$500,000 in the capital cities.

"What's more," Bannister adds, "the trigger for a move to aged care is frequently an accident or sudden decline in health, meaning that decisions must be made and funds sourced very quickly, often within a week or two. For these reasons, a targeted aged care finance product that can fund an RAD or other transitional costs has an important role to play."

Product particulars

With the Aged Care Loan, La Trobe will lend a borrower up to 50% of their existing property's value to fund the move into care. The funds can also be used to repay any outstanding debts and repair or renovate their property.

The product is not unlike a reverse mortgage; however, the client has the option to not pay any interest until the loan-to-value ratio reaches 70%. With no age-related constraints, the costs of care are largely the same for the borrower, whether they are 70 or 90 years old.

"If the client is renting out their property, then they can use that income to make repayments if they wish, but it is up to them," Bannister says. "The aim is to give borrowers the flexibility to ensure they get the best outcome in the short term but still have time to work through more complex financial and estate planning issues in a more measured way."

The product's simplified application process is particularly attractive to its target customers, as La Trobe has clearly paid close attention to the needs and sensitivities of the product's ageing customer segment.

Hook, line...

So, where do brokers come in?

Bannister says brokers are gradually catching on to the opportunity the ageing market segment provides.

"Whilst the initial impetus for

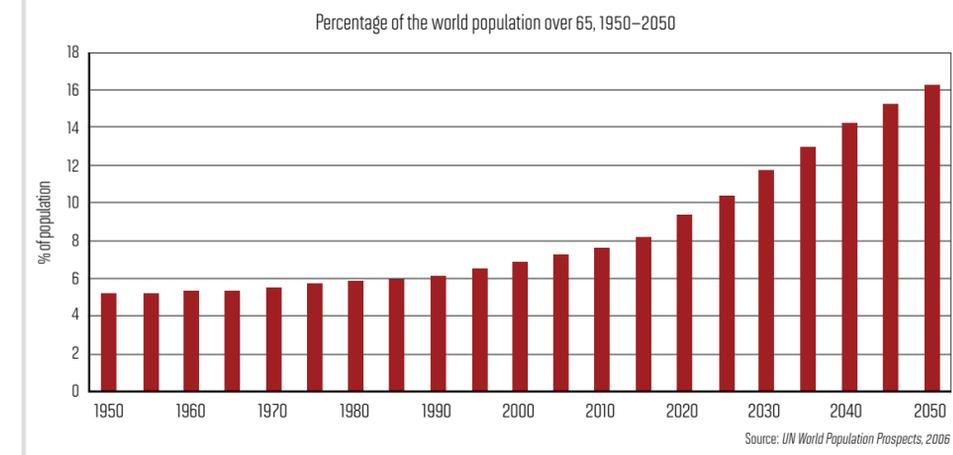
our aged care product came from specialist aged care advisers, we are now seeing significant interest and activity from the broader broker market. Our team of mortgage specialists is actively assisting brokers across the country with training and education on this important topic," he explains.

For brokers unsure how to tap into this market, Bannister points out that many of them will already have a client base they can leverage.

"Right now, across Australia, the same story is being played out again and again," he says.

"Middle-aged – or younger – people with families of their own are suddenly confronting the fact that their parents' health is declining ... Very commonly, the middle-aged children are actually the key decision-makers for their parents, and brokers are ideally positioned to be the children's

OPPORTUNITY IN GROWING MARKET SEGMENT



trusted advisers. The generational strategy is critical.

"In short, brokers' existing clients are likely the actual decision-makers so education and awareness amongst existing clients is key," Bannister says.

From a business perspective, he says the ageing market segment also provides brokers with a fantastic opportunity to diversify their portfolio.

"The aged care sector in particular will be a useful component of this diversification play for brokers. The demand for such products is only going to grow in future years, and the business

opportunities are immense as our population mix changes," he says. "As well as broadening existing deal flow, this repeat-business approach can deepen relationships with clients and position the broker better as a trusted adviser."

Rough winds render brokers priceless

However, Bannister isn't entertaining any illusions. The roads that lead to obtaining a mortgage are peppered with regulatory speed bumps, and being resilient is more and more becoming a prerequisite for successful brokers. Non-banks therefore make ideal partners, Bannister says, as they are ideally positioned to take the place of the big four, temporarily hamstrung by APRA.

"More importantly, for brokers, is that by partnering with a non-bank lender, channel conflicts are better

millennials – Gen Y – and the iGeneration, Gen Z. Studies show that these consumers are more likely to accept challenger brands and mainstream alternatives and are less likely to default their home loan requirements to their main financial institution as previous generations have been conditioned to do," he explains.

Looking ahead

Bannister says La Trobe Financial is focused on increasing its broker footprint for the remainder of the year, and one way it hopes to do this is through the uptake of its Aged Care Loan via the third party channel. Servicing untapped customer segments, after all, has always been what La Trobe has been known for. But this is not a one-way street, Bannister insists, stressing the opportunities brokers have in tapping into the ageing customer segment.

managed. Brokers can focus on shifting from mono-line operations to full-service operations, helping them grow their business and also retain their clients," adds Bannister. "We believe that non-bank lenders are best placed to provide the future generation of brokers with the solutions required to service their customers."

Bannister adds that there is another driver of non-bank growth that many brokers are still not aware of. This driver comes in the form of the generations known to be all about 'me'.

"Another driver for growth will be the continued take-up of

"Anyone who has lived through the transition of a parent into aged care will confirm that a professional who can assist with the process will be a trusted adviser for life," Bannister says.

"By assisting the children of the borrower through the process, brokers can develop enormous client loyalty. The opportunity for a lifetime of repeat custom with other credit needs is then significant.

"With around \$20bn held in RADs at present and an annual demand of circa \$3bn and growing, demand is only going to increase in years ahead." ■