



HELPING YOU MAKE INFORMED CHOICES

“Choosing Silver Choice was the best decision we could have made to regain our financial independence”



An innovative **Home Reversion Plan**

RECEIVE IN EXCESS
of \$200,000
WITH NO REPAYMENTS!*



An innovative ***Home Reversion Plan***

**Special conditions apply*

What is Silver Choice?

Silver Choice is a Home Reversion Plan developed to offer a new choice in the market that not only enables you to stay in your home for life but also provides you with more financial security / freedom, improved quality of life and peace of mind for any future costs. These costs may include health, unforeseen emergencies and future accommodation options such as a retirement village.

Its main advantage lies in the way that equity is unlocked without incurring debt!

Silver Choice is a facilitator that matches a willing buyer with a willing seller.

Operated by a specifically tailored Sale and Purchase Agreement and Further Terms of Sale Contract to protect your right of sale and tenure.

You nominate a deferred settlement date of between 2 and 10 years.

You receive a 50% share of any capital growth in the property over the deferred settlement period.

You will receive an initial \$30,000 deposit payment and subsequent instalments of \$10,000 on each anniversary date up to settlement. The initial deposit may vary under certain circumstances.

After settlement you have the option to nominate a 2 year fixed term rental period renewable every 2 years for the rest of your life.

What are its origins?

Silver Choice extracted the best combination of a Shared Appreciation Plan and a Home Reversion Plan developed in the UK.

We further developed this unique product after consultation with many Senior Citizens and associated organisations.

The Silver Choice Home Reversion Plan has many advantages over mortgage-based products, as no compounding interest accumulates. The settlement proceeds are able to be used to ensure future rental payments are covered and provides investment income for the future. There is therefore greater certainty for consumers.

Silver Choice – Here's how it works

A Silver Choice consultant will meet with you to discuss your individual requirements and provide you with a Sale and Purchase Agreement designed for your situation.

After discussions with your family and friends the next step is to obtain independent legal advice.

You then decide how many years you would like to defer settlement of the agreement. You can choose between 2 and 10 years.

Once you are satisfied, you and the Silver Choice consultant sign the Sale and Purchase Agreement.

You then have a cooling down period of 15 working days to reflect on your decision.

10 working days after the cooling down period you may either accept the Silver Choice estimated market value as the agreed purchase price, or obtain an independent valuation.

If your valuation is higher than the Silver Choice Valuation, there is a formula to arrive at a fair market value. This process is available in the Further Terms of Sale contract on request.

Once the purchaser confirms they wish to buy your property, you will be notified that the Sale and Purchase Agreement is now unconditional. This is called 'the anniversary date'.

The purchaser will then pay you an initial deposit instalment of \$30,000 within five (5) working days of rendering the agreement unconditional. Subsequent instalments of \$10,000 will be paid, on each anniversary date up to settlement. The initial deposit may vary under certain circumstances.

A Silver Choice administration fee, 1% plus GST of the agreed initial purchase price is deducted from your initial deposit instalment you receive. A final administration fee of 1% plus GST is deducted from your balance payment on settlement date.

Prior to settlement, you and the purchaser independently obtain a valuation, to establish the new market value.

On settlement the purchaser pays you the balance. This is calculated by taking the original house value and adding your 50% of the Capital Gain. Then the total deposits already paid to you are deducted.

Prior to settlement you can exercise your right to nominate a fixed term rental period for 2 years with the purchaser, renewable every 2 years for life.

At the start of the tenancy, and every 2 years thereafter a fair market rental is set based on a written appraisal from a reputable professional property management company.

To protect your tenancy after settlement, you will be required to deposit sufficient funds in an interest bearing account of your choice to cover rental to age 90 years of age. The balance of this account, including interest, is yours to withdraw after you move from your home.

Advantages

Financial freedom

- All the equity in your home is accessible. The equity is released to you, from the deposits you receive during the deferred settlement and the balance paid on settlement.
- Your equity on settlement is earning compounding interest
- You receive a 50% share of any capital growth in the property over the deferred settlement period
- Capital erosion is minimized, giving you a greater chance to have an estate on death which you can bequeath to your loved ones
- No ongoing costs after settlement such as, rates, home insurance or maintenance

Independence

- A more flexible plan, which can be customised to suit your individual circumstances
- Continuing choices, not diminishing options
- The ability to plan your financial future

Security

- Have peace of mind knowing you can cope financially
- You have funds available for unexpected events such as an illness or operation
- Enabling you the right of occupancy for life

A typical example

A married couple both aged 75 wish to enter into a Sale and Purchase Agreement with Silver Choice. The couple chose a deferred settlement period of five years.

Silver Choice obtain an estimated value of \$395,000. The vendor obtains a valuation of \$405,000. Chattels are not included in either value. To set the purchase price, take the medium point between the two values (\$400,000).

Silver Choice present the property to a prospective investor. The investor performs 10 days due diligence. Upon confirming the contract, 5 days later the investor pays the couple an initial \$30,000 deposit payment and four subsequent instalments of \$10,000 on each anniversary date.

Prior to settlement the couple obtain a valuation of \$600,000. The purchaser obtains a valuation of \$580,000. To set the new market value, take the median point between the two valuations (\$590,000). This Capital Growth of \$190,000 equates to 8% per annum for five years.

On settlement the purchaser pays the couple the balance. This is calculated by taking the original house value of \$400,000 and adding your 50% of the Capital Gain (\$95,000). Then deduct the total deposits already paid to the couple of \$70,000 leaving a balance of \$425,000 at age 80.

The couple now elect to rent the property for a two year fixed term. They decide to put \$171,000 funds aside in an interest bearing bank account to cover them for 10 years rent to take them to age 90.

This leaves them \$254,000 discretionary funds and improved cash flow with no more rates, home insurance or maintenance expenses.

Using the Silver Choice 'Lifestyle Calculator' on www.silverchoice.co.nz you can change the deferred settlement period and other variables to customise a plan that is suitable for you.

You may then analyse the cashflow effects on 'Your Budget Calculator' in conjunction with the 'Lifestyle Calculator'.

75 years
of age

Example based on:

House value today (3 bedroom)	\$400,000
Term of deferred settlement	5 years
Home owner receives \$30,000 initial deposit and four subsequent instalments of \$10,000 paid on each anniversary date	

New Market Value

New Value of Property after 5 years	\$590,000
This equates to 8% Capital Growth per annum for 5 years	\$190,000

80 years
of age

Settlement

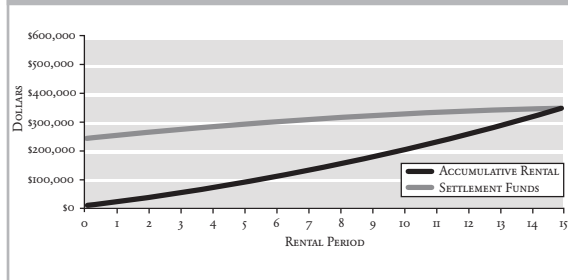
Original House Value	\$400,000
Plus Home Owner's 50% share of capital growth	\$95,000
Less deposits paid to home owner over 5 years	\$ 70,000
Total settlement balance	\$425,000

Assume a 10 year rental period

Rental funds required for 10 years to age 90, based on \$340 rent per week today with a rental inflation of 2.5% per annum, increased bi-annually and put on deposit at 6.5%	\$171,000
Your remaining disposable funds at age 80 is	\$254,000

Initially, if you put all the total settlement balance funds (\$425,000) in your bank, the interest earned together with your superannuation, covers the rent and living costs. This protects the asset to bequeath.

SILVER CHOICE LIFESTYLE GRAPH

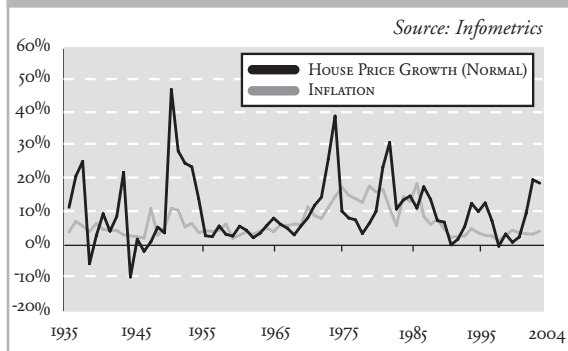


The graph demonstrates, the couple would need to deposit into an interest bearing bank account \$240,000. This deposit plus interest covers rental payments to age 95, ie: 15 years.

Assumptions: Based on a bank deposit interest rate of 6.5% and an annual rental inflation rate of 2.5%, applied on a 2 yearly rent review.

Refer to: www.dbh.govt.nz/market-rent for market rental information pertaining to your location.

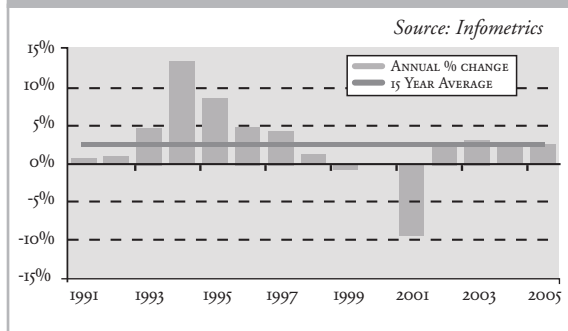
HOUSE PRICE GROWTH VS INFLATION ANNUAL % CHANGE



Average Inflation 1935 to June 2004 was 5.60% and Average House Price Growth 1935 to 2004 was 8.67%.

Note: Construction costs are linked to inflation. Current house replacement cost is always the underlying measure of basic value.

RENTED DWELLINGS PRICE INDEX ANNUAL % CHANGE



Average rental price index 1990 to 2005 is 2.5%. Average inflation 1990 to 2005 is 2.2%.

Medium rent for a 3 bedroom house, nationwide, is currently \$280 per week. Weighting of detailed regional data provides the following figures, North Island \$301 per week and South Island \$251 per week.

The advantages?

- Participants receive substantial cash deposits, tax free during the deferred settlement.
- Settlement funds are protected by depositing them into an interest bearing bank account and earn compounding interest providing another income source.
- There are choices with the settlement funds. Senior Citizens can either stay as tenants, downsize in later years or move to a Retirement Village.
- Interest gained from the settlement funds together with their superannuation, more than covers the rental payments and living costs required after settlement, if they choose the right to remain in their home.
- If they choose to become a tenant after settlement, payments such as house maintenance, house insurance or rates are no longer required.

Do I qualify?

- You are aged 60 years or older and own your own home.
- The value of your home is over \$300,000.
- You can remove an existing loan or charge on the property on receiving payment of the first deposit installment.
- Your property is insured under a 'replacement policy'.

What other options do I have?

- Receive family assistance
- Have a paying tenant
- Take a bank loan, provided it can be serviced
- Look at Retirement Village options
- Downsize current dwelling.
- Reverse/Annuity Mortgages.
- Other?
- Or choose the Silver Choice Plan

Questions & Answers

Is this a reverse mortgage?

No. Silver Choice is a unique new alternative.

Who pays rates, insurance during the deferred settlement period?

You are responsible for paying rates and insurance during the instalment period.

What happens if there is any damage to the property that warrants an insurance claim, such as water damage, fire, or structural damage from an earthquake etc.?

If an event occurs which is insurable you submit a claim. You are also required to inform the purchaser within five working days of the occurrence coming to your knowledge.

Can I still sell the property I live in to Silver Choice if the property is owned by a Trust or a Company?

Yes. If the Trustees of the Trust or Directors of the company that own the property agree, they can sign the Sale and Purchase Agreement.

Upon obtaining valuations within 30 days prior to settlement; what if the purchaser's valuation is less than 90 percent of your valuation?

You and the purchaser shall within ten (10) working days appoint a third valuer who shall be empowered to set the new market value for the sale and purchase of the property. If the parties cannot agree on a third valuer, then the President of the Real Estate Institute of New Zealand is to appoint a third valuer and their valuation price will be final and binding on both parties. (The cost of the third valuer's assistance and report shall be shared equally between both parties).

How is the settlement date set?

The settlement date is set by adding the number of years nominated by you for the deferred settlement period onto the date the contract went unconditional, ie: the anniversary date.

What happens if the purchaser fails to pay an instalment?

You (the vendor) shall not be entitled to cancel this Agreement for non-payment of any deposit instalments payable there under in accordance with the instalment dates, unless you have first given to the purchaser ten (10) working days notice of intention to cancel and the purchaser has failed within that time to remedy the default. No notice of cancellation shall be effective if the relevant deposit instalments have been paid before the notice of cancellation is served. However, if the purchaser fails to remedy the fault you may keep all deposit instalments paid and the Agreement is cancelled.

What happens if the purchaser dies prior to settlement?

The purchasers' estate becomes the obligated party to the contract. If the administrators of the estate elect not to complete the contract term, all deposits paid to you, the vendor, will be forfeited and the contract cancelled. Silver Choice will introduce another purchaser if requested, under a new contract.

What happens if the purchaser fails to settle the balance of the final purchase price?

If the purchaser fails to settle the balance of the final purchase price on settlement date, you (the vendor) may keep all instalments of the deposit instalments paid, for your own use and benefit absolutely. The contract will be cancelled.

What if I go into home care before settlement date?

You may request an earlier settlement date which must be mutually agreed upon by both parties. If the purchaser does not agree to an earlier settlement date, then you could rent the property out under the tenancy act for a period not exceeding the settlement date.

What if my partner dies or we both die before the property is settled?

The property becomes part of the Estate. The administrators of the Estate may request for an earlier settlement date which must be mutually agreed upon by both parties. The administrators may let family or relatives move into the dwelling or let the property out under the residential tenancy act. In respect to a tenancy the administrators must at all times keep and maintain full Landlord's Insurance in respect of the property to the full replacement value.

Can we request an earlier settlement date?

Yes, you may request an earlier settlement date which must be mutually agreed upon by both parties.

If the purchaser sells the property at any stage, or after settlement defaults on the mortgage triggering a mortgage sale, will this affect me in any way?

No. Under both circumstances the new purchaser (the assignee) must adhere to all the conditions in the Sale and Purchase Agreement, including your tenancy option and any fixed-term tenancy signed upon settlement.

If I nominate a rental period and circumstances change, can I break the tenancy agreement?

Only by agreement with the landlord or, if agreement cannot be reached, you may apply to the Tenancy Tribunal who will make a ruling based on unforeseen change in your circumstances. The Tribunal may ask you to pay reasonable compensation for any loss or damage to the other party which would result from the reduction in the term of the tenancy. You cannot assign the tenancy to someone else.

To qualify for Silver Choice, do both parties have to be aged 60 years or older?

No. For couples the older of the two must be at least 60 years of age.

What if Silver Choice goes into liquidation?

Silver Choice is merely the facilitator. We match a willing seller with a willing buyer facilitated by a Sale and Purchase Agreement. If for any reason the purchaser defaults, the contract is cancelled and you retain any funds paid and ownership of the house.

What are your maintenance responsibilities and those of the purchaser?

Until settlement date the vendor is responsible for any maintenance issues in connection with the property (including the dwelling, outbuildings, grounds and other improvements). The vendor has responsibility to undertake all repairs at their own discretion and at their own cost.

However all maintenance issues which are likely to become significant and/or which may diminish the value of the property and/or affect the standard of habitation of the vendor and/or may pose a potential health risk to the occupants, must be carried out as soon as practicable and no later than forty five (45) days from the vendor first becoming aware of the event. All repairs relating to this clause must be completed prior to settlement.

Are there any administration fees?

The administration fee is 1% plus GST of the initial house value. This is deducted from the initial deposit payment you receive. The administration fee includes Silver Choice managing the whole process through to settlement date. A final administration fee of 1% plus GST is payable on your balance payment on settlement date.

Also Silver Choice charges a facilitation fee to the purchaser of 2% plus GST of the initial house value.

Take the next step



Show this brochure to a trusted advisor, family or friends and ask for their advice.

Call us on 0800 628 628

to arrange a consultant to meet with you and discuss your individual requirements.

www.silverchoice.co.nz

Disclaimer and Explanation.

The contents of this brochure reflect concepts which relate to the current changing legal environment. Any representations made herein and or by Silver Choice (its officers and/or agents) are not binding on them or you until they are set out as contractual terms in a written Sale and Purchase Agreement. You must seek and obtain legal advice prior to signing any agreement.

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