

A quick guide to trading your With-Profits endowment policy

If you have bought a With-Profits Endowment Policy in the past (for example with the hope that it would repay your mortgage), you may have any one of many reasons why you do not wish to continue with the policy. Typically, the reasons why the policy could no longer be required are poor investment returns, circumstances could be changed by a new mortgage arrangement, funds are needed for another purpose or the policyholders are divorcing.

Each person's reason is unique, but all face the same dilemma - is it possible to obtain a higher value than the surrender value being offered by the Life Office?

Some investors may suffer what the life assurance industry calls "early surrender penalties" - which could be due to the investment climate at the time a surrender value is requested or the amount of outstanding policy charges. What this means is that the surrender value offered by the life assurance company may well be much less than if the policy is sold-on to another investor. The gap on average is 15% but could be as high as 40%.

This makes selling-on the policy a very attractive solution for policyholders. On the other side of the equation, purchasers are able to acquire policies "in mid-term", with annual bonuses already attached and at a price likely to give them an attractive return with limited risk.

So sellers and buyers have a strong community of interest in having a second hand market for with-profits endowments. A market in endowment policies or Traded Endowment Plan (TEPs) has existed since 1843. It was a tiny market until relatively recently. Subsequently, since 1989 the TEP market has rocketed in turnover from £5 million to more than £500 million. Now the internet is transforming the TEP market for sellers, buyers and market makers alike by making the whole process quicker, simpler and more transparent. You can now access a range of TEP market makers and brokers to see if your policy is in demand, thus potentially achieving a higher value.

Endowment Plans typically have to be Traditional With-Profits plans (not Unit linked plans) that quote Sums Assured and have investment bonuses attaching and have run for a minimum term.

The information you will normally need to obtain a quote to sell your endowment is:

- The name of the issuing life office
- Premium amount and frequency
- Attaching bonuses and bonus date
- Details of any policy amendments
- Start Date and Maturity Date
- Basic Sum Assured
- Surrender value and date
- Names of lives assured and policy number

Obviously once an endowment plan is either sold or surrendered the protection benefits will cease and you will no longer be entitled to any proceeds at the plan maturity.

To see if your Endowment is suitable for sale and to obtain an indication of the sale price, please visit our online quote system.

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