

The benefits of Offsetting

For intermediary use only. If you are not an intermediary please contact your intermediary for advice.

Your client could be mortgage free sooner and save thousands of pounds in interest.

In an increasingly tough economic climate, it's possible for your clients to make the most of their money.

For example, to match the benefit of Offsetting, your clients would need to earn the equivalent of 7.5% on their savings if they are a basic-rate taxpayer, and 10% if a higher rate taxpayer (based on a mortgage rate of 6%).

What type of client does Offsetting work best for?

Regular Savers

Offsetting is a tax-efficient way for anyone who wants to maximise the use of their savings.

Self Employed

Offsetting allows your self-employed clients to make best use of any money set aside for VAT or tax purposes.

By placing the funds in their Offset Reserve, the interest benefit gained is equivalent to earning a net return at mortgage pay rate.

In addition, funds in the Offset Reserve can still be accessed quickly and easily to cover any unplanned expenses.

Finally, clients who receive an annual bonus can use Offsetting as a tax efficient alternative to a savings account.

To help your clients find out how much they could save on their mortgage, use our online Offsetting calculator.

Key benefits.

- Maximising savings to offset interest charges on a mortgage can provide significant reductions in the amount of interest charged.
- Whether your client is Self Employed or a regular saver, it's important for them to select the type of Offsetting feature that best meets their individual needs.
- At Standard Life Bank, we believe that Offsetting based on savings offers a flexible, tax-free alternative to traditional savings accounts.

How does it work?

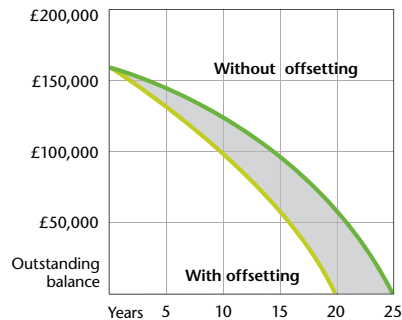
- Your clients place their savings in an Offset Reserve, either through regular payments or as a lump sum.
- The Offset Reserve is held separately from your client's mortgage, so they can have quick and easy access to their funds, whenever they like.
- The deposited amount is offset against their mortgage. As your clients only pay interest on the net balance, they effectively make overpayments each month.
- The deposit, combined with the smaller interest charges, can reduce your clients' net balance much quicker, resulting in a reduced term and potentially saving thousands in interest.
- An arrangement fee may apply.

Examples based on a loan of £160,000 over 25 years.

Based on Freestyle Standard Variable rate of 5.54%. The overall cost for comparison is 5.7% APR. These illustrations assume your clients take no money out of their Offset Reserve. Rates correct at 5 February 2009 and may change in the future.

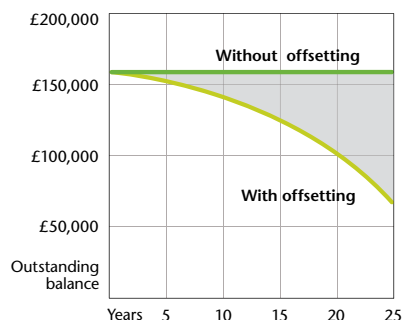
Example 1
Your client makes a £250 per month contribution to their Offset Reserve. Standard repayment method.

RESULT:
A saving of **£51,660.68** in interest. Term cut by **4 years 3 months**.



Example 2
Your client makes a one off £20,000 payment to their Offset Reserve. Interest only repayment method.

RESULT:
A saving of **£55,709.50** in interest. Term remains at **25 years**.



- Your clients can choose to receive their interest benefit as a gradual reduction in their monthly repayments, instead of reducing their balance.
- The interest benefit is calculated and applied annually, which means your clients' repayments will be reviewed and adjusted at the end of each year.
- The longer the funds remain in the Offset Reserve, the greater the interest benefit and, consequently, the bigger the reduction in the monthly repayment amount.
- Although the initial reductions can be quite small, they tend to increase the longer the Offset Reserve is in use.

The facts.

- Offsetting is available on our variable rate products and on certain fixed rate products.
- Offsetting can be activated on your client's Freestyle mortgage for a one-off fee of £99.

How do I find out more?

For more information, or to get a personal quote for your clients using tools like our Offsetting calculator, please visit our intermediary website www.standardlifebank.com/adviser
Alternatively, call us on 0845 845 8451.