

## A Guide to Equity Release



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## Why consider equity release?

Your home is probably your most valuable asset, so you may like to see if you could benefit from some of the value which may have built up in your 'bricks and mortar'.

But if you do not wish to sell up and move out of your home, remortgage or release funds from other sources, Equity Release plans may allow you to access funds tied up in your home and most schemes also guarantee your right to live in your home for the rest of your life.

An 'Equity Release' scheme is designed to use the 'equity' in your home to give you a lump sum, an income, or a mixture of both. There are many reasons why you might wish to consider releasing equity from your home:-

- Would the security of an extra income mean that you could stop worrying about money all the time and really enjoy your retirement?
- Do you have plans to spend an extra lump sum? Perhaps on the home, a replacement car or on better holidays?
- Do you need additional income in retirement, or are you considering Inheritance Tax planning?
- Would additional money help you make arrangements in advance so that you will get the personal care you would like, should you ever need it in future?

These are just some examples of reasons why people consider using their home as a means of generating further income in retirement. An independent financial adviser can help you decide whether this type of plan is suitable for you.

## How do the plans work?

Today, the most commonly used schemes use two methods. Cash and income plans are available using both methods.

## What types of plans are available?

### 1) Lifetime Mortgage schemes

A Lifetime Mortgage is where you take a loan that is secured against the value of your property. The loan amount accrues at a rate of interest (you can choose a fixed or variable rate) and the interest 'rolls up' each year until the loan is repaid, usually when the home is finally sold, for example should you move into long-term residential care or after your death.

Normally there are no monthly repayments to make and the full amount borrowed, plus the accumulated interest, is rolled up and deducted from the final sale of your property. One of the drawbacks of these types of scheme is that the final value of the estate could be considerably reduced once the loan is repaid – which would affect the amount of any inheritance you want to leave behind.

Most schemes leave your estate free from debt if they come with a 'no-negative equity guarantee' (SHIP, Safe Home Income Plans). This ensures that the final value of your loan will never exceed the value of your property at the time of sale.

The loan amount available to you can typically be anything from 18% - 50% of the property's value, depending on you or your partner's age. Most schemes enable you to increase your loan at a later date should you need to, therefore allowing staggered cash releases as and when you may need them.

## 2) Reversion schemes

A reversion scheme is where you sell part or all of your property's value to the reversion company in exchange for a lifetime lease, which guarantees your right to live in the property until you die, in addition to providing you with a cash lump sum to spend now.

The amount you receive is calculated on a number of variables including your age, sex and life expectancy. Older people can expect to receive more than younger people.

When the property is sold, the company receives the agreed percentage (or share) of the sale proceeds, regardless of whether the property has risen or fallen in value, or even stayed the same, since you took out the plan. You, or your estate, receive the other share of the proceeds (unless you had sold the whole property).

Should you choose to move, the reversion company will normally move with you and any proceeds from the sale will be split according to the percentage of property you still own. This is similar to when the property is eventually sold, usually after your death.

### Home income plans

Both reversion and mortgage schemes can be used as a stand-alone fund (lump sum) or to purchase an Annuity (the income), which will give you an income guaranteed for the rest of your life. These can be useful for people who require a higher income rather than capital to spend immediately.

### Would you like to know more?

Equity release is an important financial commitment. Therefore, you need to be confident in what you are doing before going ahead with any equity release scheme. You need to be fully aware of your commitments and, most importantly, be happy that you have made the right choice for your needs.

It is therefore vital that you seek the professional advice of someone who understands the equity release process and can explain it to you. It is even more important that you seek financial advice that is independent and impartial to ensure that this option is the most suitable to meet your needs. By seeking the advice of an independent financial adviser you are ensuring that you receive impartial and unbiased advice applicable to you and your circumstances.

### For further information or to book an initial consultation, please call us on 0208 722 0734

If you are unsure which lifetime mortgage is suitable for you, you should ask your adviser to make a recommendation.

Advice on an equity release scheme may involve a lifetime mortgage or a home reversion plan. If so, to understand their features and risks ask for a personalised illustration. There may be a fee for mortgage advice. The precise amount will depend on your circumstances and/or amount of borrowing.

We will notify you of any costs before any advice is provided.

Information given in this article is for guidance only and should not be taken as individual advice. We cannot assume legal liability for any errors or omissions it might contain. Specific advice should be taken before acting on any of the guidance set out in this article.

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**YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE.**