

Guide to Equity Release

What is equity release?

Equity release is a way to free some of the money tied up in the value of your home without having to move.

Why equity release?

For most people, retirement brings the freedom to make the most of all sorts of opportunities. To do what you want, where you want and when you want to do it. However, for some people income at this time simply won't match these expectations.

Equity release is one option which may be available to you to help you to maintain your lifestyle through retirement.

Who is eligible for equity release?

Equity release products are available to people who are at or nearing retirement age and who own their own home.

To qualify you or the youngest person in a joint scheme need to be aged 60 or older and own your own home.

How does equity release work?

Equity release works by either borrowing an amount against the value of your property, known as a Lifetime Mortgage, or selling all or a portion of your home to a Home Reversion company.

Once a scheme has been selected you may either opt for a lump sum payment, regular income or a combination of both.

Home Reversion explained

With home reversion you sell all or part of your property to a reversion company. You will no longer own your home, but both you and your partner in a joint application will retain the right to

continue living in the property until you both die or move into long term care.

Lifetime Mortgages explained

A lifetime mortgage is a loan secured against the value of your home. You retain full ownership of the property and the loan is repaid with interest using the proceeds from sale after both you and your partner in the case of a joint scheme die or move into long term care.

There are several types of Lifetime mortgage including:

- **Roll up mortgage**

You receive either a lump sum or regular income with monthly or annual interest amounts 'rolled up' into the overall loan amount and paid when your home is sold.

- **Fixed repayment mortgage**

Similar to a roll up mortgage but instead of interest being added to the loan you agree in advance with the lender to repay an amount higher than you borrowed.

- **Interest only mortgage**

You receive a lump sum in return for monthly interest payments of either a fixed or variable nature and return of the principle loan amount when your home is sold.

- **Home income plan**

This plan uses the money you borrow to buy a regular fixed income for life, (an annuity). The income is used to pay the interest on the mortgage while you keep the balance. The amount originally borrowed is repaid when your home is sold.

Your adviser will be able to explain these options to you in detail.

What are the benefits of equity release?

The biggest benefit to equity release is being able to release some of the money you have tied up in the value of your home without having to sell up and downsize.

Property prices have risen significantly over the last 25 years and so the amount available can be significant, while the ability to continue living in the family home invaluable.

Other benefits include:

- A tax free lump sum, regular payments or combination of both
- The piece of mind that your family will not be left with any debt after you're gone
- The ability to spend the cash on whatever you so wish
- The financial freedom to enjoy the retirement you always dreamed of

Are there alternatives to equity release?

Yes, there are several other ways you may be able to raise money through your home including:

- **Downsizing to a smaller property**

This could be done by buying a smaller house in the same area or the same sized house in a cheaper area.

- **Taking out a low cost mortgage**

This is a good consideration as it'll probably be more economic than equity release in the long run but you must be able to prove you can service the repayments.

- **Getting financial help from the family**

If appropriate you may be able to sell part of the property to a family member in order to raise cash. There are legal and tax issues you would need to be considered carefully.

- **Renting out a spare room**

If a spare room is available and you feel comfortable to do so you may be able to rent this for extra income. There would be tax implications

to consider here and you would of course only receive income while you have a lodger.

What costs are involved?

As with a traditional mortgage you can expect to pay valuation fees, legal fees and an arrangement fee. A proportion of this cost will be able to be paid from the proceeds of the scheme.

Can I move afterwards?

Most lifetime mortgages can be transferred between properties. If the new property is of a lower value you will have to repay part of your lifetime mortgage.

A home reversion plan is not portable as you've effectively sold all or part of the property. If you choose to leave the property the reversion company will be able to sell it and proceeds due to you, if any, may not be enough to buy another house.

How do I get further information?

We can provide a specialist equity release advice service through a trusted third party.

Our equity release advice service provides:

- A free, no obligation initial consultation either over the phone or at your home
- Product comparison from leading providers
- Tailored advice from a team of friendly and experienced advisers
- The security of knowing that lender and adviser are regulated by the FSA and members of SHIP

To find out more simply call free on **0800 622 6724** or [request a call back](#) at a time that suits.

Our friendly team is ready and here to help.

The information contained on these pages is for informational purposes only and does not constitute financial advice under the Financial Services and Markets Act 2000.

You should seek independent financial advice before committing to any kind of financial arrangement.