Your quick guide to equity release

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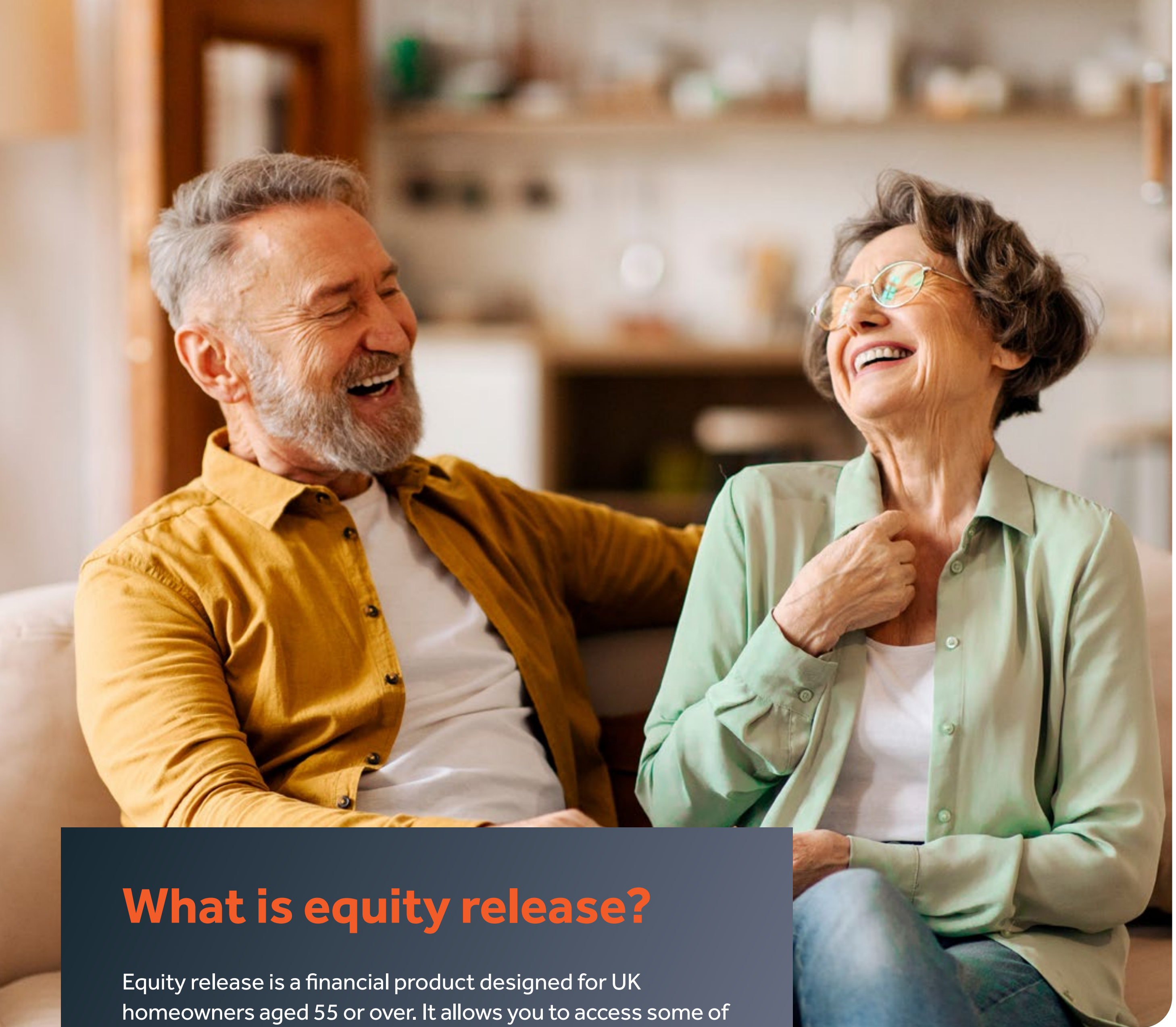

What is equity release?

Equity release is a financial product designed for UK homeowners aged 55 or over. It allows you to access some of the value tied up in your property as tax-free cash, without needing to move. In simple terms, it's a way to turn part of your home's value into money you can use in later life.

What can I use equity release for?

The money you unlock through equity release could give you the freedom to spend it in a way that works for you. Some customers put it towards smaller needs, others on bigger plans, or even to give loved ones a helping hand.

An adviser will assess your suitability and the funds could be used for a variety of things, such as making home improvements (installing a wet room, putting in a stairlift or landscaping your garden to make it more manageable) to covering the cost of existing debts (you should always think carefully before securing a loan against your home to repay existing debt) or regular bills, moving home or paying for care.

Types of equity release

There are two types of equity release, a lifetime mortgage and a home reversion scheme.

With a lifetime mortgage, you will still own your home. Like a regular mortgage, it's a loan secured against your property. However, unlike a regular mortgage there are typically no monthly repayments, as the loan, plus compound interest, is typically repaid through the sale of the property when the last remaining applicant passes away or moves into long-term care.

With a home reversion scheme, you will sell part or all of your property to a home reversion company for less than its market value in exchange for a lump sum or income.

The home reversion provider takes legal ownership of the percentage of your property you sell, but you remain as a beneficial owner with a guaranteed lifetime lease. There's no interest to pay on the money released and no monthly payments to make. The home reversion plan comes to an end typically when the last remaining applicant passes away or moves into long term care. The home reversion provider then takes its percentage share of the sale proceeds.

Who is eligible for Equity Release?

Aged 55 or over

Applicants must be aged 55 or over and in joint cases it will be based on the age of the youngest applicant. Applicants must be aged 65+ for home reversion.

UK resident

You must be a UK resident and the property you're looking to release equity from must be your primary residence and in the UK.

Value £70,000

Your property must typically be worth at least £70,000 to be eligible (depending on the provider).

Equity release pros and cons

Lifetime mortgage

Some of the benefits of a lifetime mortgage include:

- You can unlock cash from your home, tax-free, to help meet your needs in later life
- You'll keep full ownership of your home and can stay in it for as long as you wish
- You'll never owe more than your home's worth or pass on any equity release related debt to your family. Terms and conditions to be met.
- You can make reduced or no monthly repayments.

Some of the drawbacks of a lifetime mortgage include:

- A lifetime mortgage is a loan secured against your home. The loan is subject to compound interest - the amount you owe grows fast
- Equity release will reduce the value of your estate. It may affect your entitlement to means-tested benefits
- These are long-term financial products and are not designed to be repaid early. If you do, early repayment charges may apply
- Equity release may leave you with limited or no property equity. It will reduce your future financial options.

Home reversion

Some of the benefits of a home reversion include:

- You can stay in your own home for the rest of your life, or until you move into permanent care
- There's no interest to pay because a home reversion is not a loan. You'll benefit from any increases in the value of your property on any unsold percentage
- You can protect a portion of your property for inheritance, providing you do not sell 100% of your home
- Releasing equity from your home is tax-free.

Some of the drawbacks of a home reversion include:

- You'll receive less than the market value when selling your property to the home reversion provider
- It's costly to cancel the plan early as you would need to buy back your property at the full market value
- You won't be the legal owner of the property
- A home reversion plan will reduce your financial options in the future
- Dependent on the percentage of your property you sell, you may be left with limited or no property equity remaining.

Who are The Equity Release Experts?

Part of Key Group, we're independent equity release experts.

If equity release is right for you, we search and compare equity release products from across the whole market to find the most suitable plan.

- Appointments with a fully qualified, independent equity release adviser can be completed by telephone, video call, or face-to-face, so they can understand what's important to you and give you advice that's right for your circumstances
- We'll compare plans from across the whole market
- No ties to any providers, so you're always guaranteed, honest, independent advice that's straightforward and tailored to you – nothing else.

Things to consider

Our specialist equity release advisers will explain:

- You will have to get advice before releasing tax-free cash from your home
- All plans that meet the Equity Release Council standards come with several protections, including the no negative equity guarantee, which means clients will never owe more than their home's value
- Equity release will reduce the value of your estate and may affect your entitlement to means-tested benefits
- A lifetime mortgage is a loan secured against your home
- Unless you decide to go ahead, The Equity Release Experts service is completely free of charge as their usual advice fee of £1,999 would only be payable on completion of a plan
- When you set up your plan, there will be some charges -these include surveyors' and solicitors' fees. Your adviser will explain these in more detail before you decide to proceed
- We'll always tell you if equity release isn't right for you, and we offer a full range of later life options, so we can see if there is another product more suitable for your needs - such as, a retirement interest-only mortgage or a retirement repayment mortgage
- It's important to know your other options before going ahead with equity release. Further options which may be suitable include - downsizing, unsecured lending, using existing assets, or support from friends or family.

FAQ's

Will I still own my home?
Yes, with a lifetime mortgage, you will still own your own home. With a home reversion you will not remain the legal owner, but you will be able to stay in the property until you pass away or move in to long term care.

Will I ever fall into negative equity?
No, plans that meet the Equity Release Council standards come with a no negative equity guarantee, meaning you'll never owe more than your home's worth.

Can I move home?
Yes. Plans that meet Equity Release Council Standards can be transferred to a new home, subject to criteria.

Who handles the legal side of the process?
You'll need to appoint an independent solicitor to handle the legal side of the process. They will explain your rights and the legal effects of your equity release plan. You must receive independent legal advice before you proceed.

Are there any restrictions on what I can do with the money released?
You can use it in a wide variety of ways, but there are some restrictions. Your adviser will review your needs and confirm suitability based on your circumstances.

Can I release more money from my home in the future?
With a lifetime mortgage, further funds may be available through an existing drawdown facility, a further advance from your current lender, or by switching to a new plan - your adviser will assess which option is most suitable for your circumstances and any early repayment charges which may be payable. If you have a home reversion you've already sold a portion of your property in exchange for a lump sum. If you didn't sell 100%, you may be able to release more equity by selling an additional share.

Can I still leave an inheritance for my family?
Yes, you can. With some lifetime mortgages you can guarantee that a percentage of the future value of your home will be left to your family when the property is sold. With a home reversion, unless you sell 100% of your home, you'll know exactly what proportion of your property you're able to leave as inheritance.

Can I do equity release if I still have a mortgage?
Yes, however, you will need to repay existing mortgage, this can be done using the money released. Any funds left over belong to you.

What happens when I pass away?
With a lifetime mortgage your home will typically be sold once the last remaining borrower has entered into long term care or passes away. The outstanding loan plus interest will be repaid to the lender first and any money left will go to your estate. For a home reversion the provider will also typically receive their share when the property is sold – either upon the entry into long term care or death of the last remaining customer.

How is my home's value assessed?
Your property will be valued by an independent surveyor so you can be confident of an unbiased opinion of your property's worth for equity release purposes.

What do people spend the money on?
The money you release is tax free, and people use it for a variety of things, such as travel, home improvements, and paying off their existing mortgage. If you plan to use the money to pay off existing debts, you should always think carefully before securing a loan against your home.

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