

Equity Release: An Essential Guide

Equity release refers to a range of products that let you access the equity (cash) tied up in your home if you are over the age of 55. You can take the money you release as a lump sum or, in several smaller amounts or as a combination of both.



Is Equity Release right for me?

- Do you wish or need to release some of the equity built up in our home?
- Are you a home owner aged over 55?
- Do you wish to make use of the cash tied up in your property?
- Do you want to enjoy the benefits of the equity in your home without having to downsize?
- Are you unable to access this equity by taking out a new mortgage or increasing an existing one?

Releasing equity using a traditional mortgage may not be an option for all older or retired homeowners. A traditional mortgage is often based on a homeowner's disposable income, the term over which the loan will be repaid and the amount of equity remaining within the property. Many lenders will not provide loans beyond retirement, even to those who have built up large sums of equity in their property.

Your home is likely to be your biggest asset, particularly if you have benefited from the huge increase in house prices. But what good is it to have all that money tied up in your bricks and mortar, if you can't afford to enjoy life to the full?

This is where an Equity Release product could help.

What is Equity Release?

Equity Release refers to a wide range of products that allow age 55+ homeowners to take out some of the equity tied up in their home either as a one-off lump sum, regular smaller payments or a combination of both. Unlike a traditional mortgage, the amount of equity released is generally not dependent upon the homeowner's disposable income. Instead, the provider will calculate how much equity they are prepared to release based on the age of the homeowner and the value of their property. Put simply, the older the homeowner the greater the amount of equity they are able to release. These products can therefore be of real benefit to homeowners with limited disposable income.

How could Equity Release help you?

If you are considering releasing equity from your property, then you may already know how you intend to spend it. Tens of thousands of people have already used the value of their home to boost their finances, and for many different reasons. Some of the most popular reasons for releasing this cash include:

- Home and garden improvements
- Paying off an existing mortgage
- Clearing credit cards and loans
- Taking more holidays
- Gifting money to family members

Leaving the family home and neighbourhood can be an emotional upheaval. Equity Release gives you the opportunity to release the cash locked up in your home without the stress of having to leave the home you love. With people living longer and with poorly performing pensions, savings have to stretch much further to last through retirement. Many people chose Equity Release as a means to topping-up their income.

Why choose us for your Equity Release solution?

There are potential issues attached to every financial decision taken including Equity Release. Bristol, Bath and Exeter Mortgages Online have specialist advisers on hand to ensure that you fully understand all of the implications before you make the final decision as to whether an Equity Release plan is right for you.

As Bristol, Bath and Exeter Mortgages Online are professional and impartial it means we are not tied to any particular Equity Release provider and will fully review your situation and make a recommendation specifically tailored to your individual circumstances. Equity Release is not always the right solution so at Bath Mortgages Online we will consider all of the options available and will make you aware when we feel the benefits of an Equity Release plan are being outweighed by the disadvantages. We will also encourage you to involve your family in the process to ensure they fully understand the implications Equity Release can have both on your financial situation and ultimately your estate.

To find out which type of plan is best for your individual needs and circumstances, simply get in touch with us and we can arrange a free, no-obligation consultation in the comfort of your own home with one of our expert advisers.

Types of Equity Release Plans

There are two broad categories of Equity Release plans, these being Lifetime Mortgages and Home Reversion plans.

Establishing which of these products are best suited to you will depend upon a number of factors including:

- How much money you wish to access
- If you want to access any money at a later date with a drawdown facility
- If you plan to downsize or move in the future
- The value of your property
- If you plan to pay off all or some equity taken out of your property at some point in the future
- The ages of you and your partner (if applicable)
- If you wish to guarantee an inheritance for your loved ones
- Any outstanding loans you have secured against the property
- Whether you would be prepared to sell all or part of the property
- Your health and lifestyle

Lifetime Mortgages

A Lifetime Mortgage is where the provider lends you a percentage of your property's value in the form of tax-free cash. As with a traditional mortgage you will be charged interest on the loan however, with a Lifetime Mortgage you have the option not to make any monthly repayments (although you can if you want to) and there is no set term or repayment date. If you do decide to make monthly repayments this will typically only cover the interest on the loan however, you will have the flexibility to set up the Lifetime Mortgage to repay all, some, or none of the interest over the life of the plan.

As with all Lifetime Mortgages, the loan plus interest continues until the plan comes to an end, usually when you pass away or move into long-term care. At this point the property is sold to repay the original sum borrowed, plus any interest that has accrued.

There are a number of different types of Lifetime Mortgages which we will be able to discuss with you and some of the more popular schemes are outlined below.

Lump Sum Lifetime Mortgage Plans

This type of product simply allows you to release all of the equity in one lump sum. Once the equity has been released the interest will start to accrue on the full loan amount.

Drawdown Lifetime Mortgage Plans

A Drawdown plan is similar to the Lump Sum option however you can retain a cash reserve that can be drawn down at some point in the future. Interest is only charged on the total amount you withdraw, and therefore this plan can save you a significant amount compared to a Lump Sum plan.

Enhanced Plans

If you or your partner have any health or lifestyle conditions you may be able to release more money from your home. Over 100 conditions qualify you for a larger cash release from your home including high blood pressure, diabetes, cancer, angina, kidney disease, and dementia. Lifestyle conditions such as a history of smoking or a high/low Body Mass Index (BMI) can also qualify. No medical assessment is necessary, and one of our specialist advisers can find out if you qualify for this type of plan for you.

Protected Plans

If you want to guarantee an inheritance for your family this is now possible with some Lifetime Mortgages. You can choose a fixed amount or a percentage of your home to be left to your beneficiaries when your plan comes to an end. This amount will be guaranteed.

Interest Payment Plans

Interest payment plans allow you to choose how much interest you want to pay and how long you want to pay the interest charged each month (for example, 1 year, 5 years or even up to the lifetime of the loan). The advantage of this option is by paying some (or all) of the interest payments during the plan term, the amount your provider takes at the end will be less, as you have already paid off some (or all) of the interest accrued. Also, if for any reason you are unable to make repayments, this plan can be converted so interest is added as with a standard Lifetime Mortgage. With options such as this it is essential that you seek specialist independent advice and speak to one of our advisers to find the best plan for your needs.

Home Reversion Plans

While most customers find that a Lifetime Mortgage suits their needs best, there is another type of Equity Release plan available. A Home Reversion plan allows you to sell part or all of your home to a reversion plan company in exchange for a tax-free cash lump sum.

You can have the right to stay in your home effectively rent-free for as long as you choose which is why you don't typically receive the full market value for the share of the home you sell.

If you sold half of your property to the reversion company, when the plan comes to an end (usually when you pass away or move into long-term care) then the money raised from the resulting sale of your home would be split equally between the reversion company and your estate.

Some customers choose a Home Reversion plan because the amount of equity you are initially able to release is typically greater than compared to a Lifetime mortgage.

However, in exchange for this greater sum of equity you will have to be comfortable with the fact that:

- You will no longer own your own home – however you can retain a percentage share
- If your house value goes up, then you only benefit from the increase to the percentage you still own (if any)
- You will receive less than the market value of your home (whatever percentage you sell)
- As you are selling part of your home it can be very difficult to end the plan and buy back the percentage you sold, so it's less flexible than a Lifetime Mortgage

Our Equity Release Specialist



Christopher Seward, BSc (Hons), DipPFS, Certs CII (MP & ER) is our Equity Release specialist covering all three of our branches in Bristol, Bath and Exeter.

Simply get in touch with us. We will be delighted to arrange a free, no-obligation consultation, in the comfort of your own home, with Chris who will work closely with you throughout the whole process with the utmost confidentiality, clarity and transparency.

Please call Bristol office 0117 325 1511, Bath office 01225 584 888 or Exeter office 01392 690 888

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