



RESOLVE FINANCIAL SOLUTIONS

OUR GUIDE TO EQUITY RELEASE



Our guide explains all you need to know about equity release and the process behind it.

WHAT IS EQUITY RELEASE?

Equity release is the process whereby you access some or all of the wealth that is tied up in your home.

You can use an equity release product to release cash from the value of your home. You can do so by getting tax-free cash via a mortgage or by selling an interest in your home while you continue to live there.

An equity release plan will reduce the value of your estate so telling your family about your plans is important. This is especially true if you intend to make them beneficiaries of your will.

WHAT ARE THE TYPES OF EQUITY RELEASE MORTGAGES?

There are two main types of equity release plan and as a client we would discuss with you both to decipher what option is better for you.

Lifetime Mortgage

This is when you take out a mortgage against the value of your property. The debt will then be repaid when it's sold if you move (for example, into permanent care) or after your death. For most lifetime mortgages on the market, you must be at least 55 to be considered.

Home reversion

This is when you sell part of your home for a cash sum and continue to live there. The property will then be sold if you move (for example, into permanent care) or after your death. For most home reversion plans, you must be at least 65 to be considered.

For example, if your home is worth £300,000 and you decide to sell 30% (£90,000 worth) via a home reversion, the plan provider may agree to pay you, say, £50,000.

When the property is sold, the company is entitled to 30% of the sale price. If the house has increased in value to £400,000, for example, it will receive £120,000. If the property has fallen in value to £200,000, it will receive £60,000.



ADVANTAGES OF AN EQUITY RELEASE

- You can release wealth from your property and receive money either as a lump sum or as regular payments.
- You can stay in your home until you pass away or choose to move into a long-term residential care home.
- No restrictions on how you use the cash. You can spend it on whatever you wish from paying off a mortgage to booking a holiday.
- You can choose from a range of plans and it might help reduce inheritance tax liability.

DISADVANTAGES OF AN EQUITY RELEASE

- Equity release could reduce how much you can leave in your will.
- It may come with restrictions on adapting your home.
- It might affect your entitlement to benefits and help from your local authority.
- You are likely to incur substantial arrangement fees.

MEETING ELIGIBILITY CRITERIA FOR EQUITY RELEASE MORTGAGES



There is specific eligibility criteria for equity release and every lender will have their own set of terms and conditions that need to be met.

The common criteria set by most lenders is you should be able to take out equity release in the form of a lifetime mortgage if you're a homeowner over the age of 55. If you are thinking about borrowing jointly, with your partner or a good friend, you will both need to be at least 55 years of age.

It is likely that your home will need to be worth at least £70,000 and in good condition. Not only that but it is also important that the property you want to release equity from is your main, permanent residence. This means you will be expected to live in that house for at least six months per year.

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WHAT CAN YOU USE EQUITY RELEASE CASH FOR?

There are no restrictions on how you spend the proceeds of equity release. You can supplement your pension, adapt your accommodation, pay for a holiday, clear your mortgage.

WILL MY BENEFITS BE AFFECTED?

Boosting the amount of cash, you have could affect your entitlement to means-tested benefits, such as the pension credit and universal credit. It is important to work out how you might be affected before you take the plunge with equity release.

HOW LONG DOES EQUITY RELEASE TAKE?

This tends to depend on the lender and on your own personal circumstances. But you can generally expect equity release to take between six to eight weeks however it may sometimes take up to 12 weeks.

THINGS YOU NEED TO KNOW ABOUT EQUITY RELEASE

Equity release might seem like a good option if you want some extra money and don't want to move house. However, there might be some reasons why equity release might not be the best fit for you.

- Equity release can be more expensive in comparison to an ordinary mortgage. If you take out a lifetime mortgage you will normally be charged a higher rate of interest than you would an ordinary mortgage and your debt can grow quickly if the interest builds up.
- For lifetime mortgages, there is usually no fixed 'term' or date by which you are expected to repay your loan. The rate of interest of a lifetime mortgage will not change during the life of your contract, unless it is a variable rate. The interest rate you pay on any drawdowns will be determined at the time of drawdown and not at the time the contract is entered into so this may be different to the previous rate.
- Home reversion plans will not give you the true market value of your home when compared to selling your property on the open market due to the fact you are allowed to live in the property for the rest of your life which you could not do so if you sold the property on the open market.
- If you release equity from your home, you might not be able to rely on your property for money you might need later in your retirement or to pay for long-term care.
- Although you can move house and take your lifetime mortgage with you, if you decide you want to downsize later on you might not have enough equity in your home to do this.
- You will have to pay arrangement fees which can reach approximately £1,500 to £3,000 in total depending on the plan being arranged.
- Equity release can impact the inheritance you pass down to family members. It's important to discuss your plans with your family in order to avoid potential conflicts and complications later on.





We have advisers who are specifically qualified in equity release and will be able to give you the relevant advice to suggest a plan suitable for your needs by researching all the products on the market.

If you are interested in finding out more information about equity release then please get in touch.

GET IN TOUCH

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PLEASE NOTE: Your home maybe repossessed if you do not keep up repayments on your mortgage.

Think carefully before securing a loan against your home. Equity Release will reduce the value of your estate and can affect your eligibility for means tested benefits.

Equity Release may involve a lifetime mortgage (home reversion scheme). To understand the features and risks, ask for a personalised illustration.