

Equity release



Deciding whether equity
release is right for you

Information written with you in mind.

This information guide has been produced with the help of older people, carers and expert peer reviewers.

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What this guide is about

As we get older, we often start to think about how we'll manage financially.

You may be considering equity release as a way of easing some of your money worries. But is it your best option?

Equity release is a big decision and can create more problems than it solves. You may have other, better, options so don't rush into anything.

This guide provides you with some basic information about exactly what equity release is, how it works, and where to get advice to decide if it's right for you.

“I wish I’d got advice when I took my plan out. I misunderstood the paperwork and it’s become so stressful.”

Carol, 74



This symbol indicates where information differs for Wales and Northern Ireland. As far as possible, the information in this guide is applicable across the UK.

Good to know



Before making any decision about equity release, it’s important to get financial advice. If you do decide to go ahead with equity release, you’ll also need legal advice throughout the process.

Equity release might seem like the answer, but there are risks.

We’ll outline a lot of these risks throughout the guide. We’ll also point you in the right direction when it comes to knowing where to turn for the right advice.

We’ve listed plenty of reliable organisations in the back of this guide to help you make an informed decision, so you don’t get caught out.



Thinking about equity release

What is equity release?

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

Any outstanding mortgage will have to be cleared first. This can be done from the value of the property.

But it's not as straightforward as it seems. Before you take out equity release it's important to know exactly what it involves, some of the pitfalls and what other options you may have.

Next steps

See pages 12-15 for more information about the different types of equity release, as well as the pros and cons.

There are two main types of equity release.

- A **lifetime mortgage** is the most common type of equity release. You borrow money secured against your home. The mortgage is usually repaid from the sale of your home when you die or move permanently into residential care. This loan can quickly grow in size if the interest is rolled up.
- A **home reversion plan** lets you raise money by selling all or part of your home while continuing to live in it, until you die or move into permanent residential care. This may significantly reduce the size of your estate if you die shortly after taking out the plan.

There are things you should consider before taking out equity release, including:

- How will releasing equity affect your benefits?
- Will it affect your ability to move in the future?
- Will releasing equity affect whether you pay for care or the amount you pay if and when you need it?
- If you have children, how will they feel about it? You may want to discuss it with them first, although the final decision is yours.

“I’d heard about equity release but I didn’t know about the ins and outs.”

Raymond, 70





Who can choose equity release?

Whether equity release is an option for you depends on a few things:

Your age

For a lifetime mortgage you (or both of you, if you're borrowing jointly) need to be at least 55 years old. For a home reversion plan you (or both of you, if you're taking out a plan jointly) need to be at least 60 years old.

Your home

You must own your home, which must be your main residence. There are specific criteria that tend to vary between equity release providers, but in general the property must be in a reasonable condition and will have to be a certain value. Certain types of property may not be accepted, so it's worth checking.

Your family

Equity release can be a little complicated if you live with any dependants. To remain living in the property with you, they may need to sign a waiver confirming they understand they don't have the right to continue living in the property if you die or move into permanent residential care. It's a good idea for any dependants to take legal advice of their own.

Equity release could also affect someone coming to live with you down the line. If a family member or friend moves in with you, they'll have to sign an occupancy waiver releasing any rights to the property. They should get legal advice before doing this. Similarly, if you take out equity release on your own and later get married you might not be able to put the scheme jointly under both your names. Your partner might end up having to pay off the lifetime mortgage or home reversion if you die or move into permanent care, which may mean selling or giving up the home.

Good to know



If you have a mortgage or secured loan on your property you may still qualify for equity release, but it will depend on the value of your home and the amount outstanding on the mortgage or loan. Any outstanding mortgages or loans secured against your home will have to be cleared at the same time as taking equity release, either by using some of the money to be released or by other arrangements, such as savings.

Frequently asked questions

Here are some of the most common questions people have about equity release

Will I lose out on state benefits if I release equity?

If you receive any means-tested benefits they may be reduced or lost entirely. This will depend on your circumstances and the type of equity release that you choose.

Can I move house in the future?

Yes, you are able to move and you may be able to transfer your equity release product, as long as your new property can act as acceptable security to the provider. Leasehold retirement housing may not be acceptable.

I already have a mortgage, can I still apply?

It will depend on the value of your home and the amount outstanding on the existing mortgage, which will have to be cleared at the same time as taking equity release.

Will I be able to leave an inheritance to my family?

This depends on the product. With some you can 'protect' a part of your property for the benefit of your beneficiaries.

Will I owe more than the value of my home when it's sold?

Products that meet the Equity Release Council's standards assure that if you die or move into permanent residential care, you or your estate will not repay more than the sale proceeds.

Could a relative, carer or new partner move in?

Yes, but they may not have the right to stay living there if you die or move into permanent residential care. They will have to sign a waiver confirming they understand this.



Seeking legal and financial advice

When thinking about equity release, it's tempting to get caught up in what can feel like a quick and easy financial boost, but you need to look at how it will affect you in the future too.

Seeking legal and financial advice is the best way to understand how it could impact you in the future. Always get advice from a specialist equity release adviser before taking out equity release and make sure the financial adviser you choose is authorised by the Financial Conduct Authority (FCA, page 23).

You can search for a financial adviser through:

- the Money Advice Service's retirement adviser directory (page 25)
- the Equity Release Council (page 23)
- the Personal Finance Society (page 25).

As part of the process, you will need to appoint an independent solicitor with equity release knowledge. The Equity Release Council (page 23) or the relevant Law Society (page 24) in your nation can provide you with a list of local solicitors.

Different types of equity release

There are two main types of equity release: lifetime mortgages and home reversion plans.

Lifetime mortgages

This is the most common type of equity release. It's a type of loan secured against your home. It allows you to release a tax-free cash lump sum from the value of your property. The maximum loan depends on your age and the value of your property and, in some cases, your health.

A lifetime mortgage means:

- You continue to live in and own your home.
- You continue to maintain, run and insure your home.
- Typically, the mortgage does not need to be repaid until the last borrower dies or moves into permanent residential care.
- Interest will be added to the loan (increasing the amount you owe and reducing the amount of equity you have in your property), but this is usually 'rolled up' until the loan is repaid.

Good to know



Always look for a 'no negative equity guarantee' from lifetime mortgage providers. This means when the property is sold after you die or move into permanent residential care, you or your estate will not have to repay more than the sale proceeds, even if they are less than the amount owed.

Rolled up interest means that, while you don't have to make regular interest payments, you will end up paying interest on the interest. This means what you owe can increase really quickly.

Advantages of a lifetime mortgage:

- You can get a tax-free lump sum and/or smaller, regular payments to supplement your income in retirement, and can continue to live in your home until you die or move into permanent residential care.
- You may continue to benefit from any rise in the value of your property. However, you may also end up owing more because of interest charges applied to lifetime mortgages, so your equity may not increase.
- You're still able to move home and the product can be transferred to a new home, but you can only do this if your new property acts as acceptable security to the mortgage provider. If your new property is worth less than the old one, you might have to repay some of the outstanding mortgage.
- For most products, there is no need for regular repayments.

Disadvantages of a lifetime mortgage:

- It will reduce the value of your estate and the amount that will go to the people named as beneficiaries in your will.
- If you decide to repay the product early, for example if you get an unexpected windfall, there could be a substantial early repayment charge. Your adviser should explain this to you when you take out the mortgage.
- Getting a lump sum or taking extra cash to boost your income may reduce your entitlement to means-tested benefits, now or in the future (see page 16). This might mean you have to start paying more for any council-funded care at home.
- If the value of your home falls, your remaining equity will also be reduced.

Home reversion plans

These plans involve selling all or part of your home to a home reversion company in return for a tax-free lump sum or a smaller sum with subsequent payments.

A home reversion plan means:

- You no longer own your home, or you only own a part-share of it. But you receive a lease giving you the right to live there rent-free (or sometimes paying a token rent) for your lifetime, or until you have to move into permanent residential care. This will be reflected in what the company will pay for your home. Your solicitor should check the terms of the lease and explain them to you, so you know exactly what to expect.
- The reversion company will also take their percentage share of the sales proceeds when the property is sold (usually after the last borrower dies or moves into permanent residential care). For example, if you sold 50% of your property to a reversion company, they'll receive 50% of the sale proceeds.
- You continue to remain responsible for maintaining and running your home and for insuring the building.

Advantages of a home reversion plan:

- You can get a tax-free lump sum and/or take cash to supplement your income in retirement, and you can continue to live in your home rent-free (or with minimal rent) until you die or move into permanent residential care.
- If you haven't sold 100% of your property, you, or your estate, will continue to benefit from any rise in its value.
- You can usually release higher amounts than you can through a lifetime mortgage.
- You can still move to a suitable alternative property in the future, as the plan is transferable. It will be subject to your new home meeting property suitability criteria.

Disadvantages of a home reversion plan:

- It will reduce the value of your estate and the amount that will go to the people named as beneficiaries in your will.
- The reversion company owns all or a part-share of your home.
- Your entitlement to means-tested state benefits may be affected, now or in the future (see page 16). This might mean you have to start paying more for any care at home you receive that's currently funded by the local council.
- You will receive less than full market value if you sell some or all of your property through a home reversion plan.
- The reversion company will only pay you a percentage of the current market value of your property because it has to account for the fact that you will be living there rent-free (or almost) and it may have to wait years for any financial return.
- If you die or move into permanent residential care soon after taking out a reversion plan, you could have effectively sold off your home (or a part of it) cheaply – although some plans give your family a rebate if you die shortly after signing up.
- Home reversion plans can be repaid, but the property would need to be bought back from the reversion company at the full market value.

Next steps



If you're considering equity release, talk to a specialist equity release adviser, who will review your personal circumstances and see if there are any possible alternatives. If equity release is the right option, they'll provide a recommendation of the type that best suits you. See page 11 for more information.

The risks of equity release

How it could affect your benefits

As well as the disadvantages listed on the previous pages, equity release can also affect your benefits.

Equity release may not only impact benefits you receive now, but could also affect benefits you could claim in the future, depending on your circumstances and the type of equity release.

If you receive any means-tested benefits, they may be reduced or lost entirely. These include:

- Pension Credit
- Jobseeker's Allowance
- Income Support
- income-related Employment and Support Allowance
- Universal Credit
- support with Council Tax or care services.

A specialist equity release adviser will be able to work out what could happen to your benefits if you take out equity release. Make sure they consider your current and future care arrangements too. Consider this information carefully.

Next steps

See our factsheet **Equity release** for examples of how equity release can affect your benefits.

What to look out for

Any company advising on or selling equity release has to be regulated by the Financial Conduct Authority (FCA, page 23). This gives you a level of protection and security and means you can access the Financial Services Compensation Scheme if you ever need it.

You should choose a product from a company that's a member of the Equity Release Council (page 23). This is an industry body and its members all agree to abide by a voluntary code of conduct, which includes certain product standards. Meeting these standards means you:

- can live in your property for life, or until you move into permanent residential care
- can move your plan to an alternative property (providing it is acceptable to the equity release product provider)
- will never owe more than the value of your home when it is sold after you die or move into permanent residential care.

Always make sure you speak to a specialist equity release adviser, and that both the adviser and the equity release provider are authorised by the FCA (page 23).

If something goes wrong with your plan, contact your provider first. They will have a complaints procedure to follow. If you're not satisfied with the response, you can contact the Financial Ombudsman Service (page 23) to see if they can help.

Thinking about other options?

Equity release might seem like a good option but it's a big decision and you should consider all your options first:

- Do you have other investments or assets that could boost your income or give you a lump sum? A financial adviser should be able to look at all your options.
- Could you move to a less expensive property to free up some capital?
- Are you entitled to any benefits? You can arrange a benefits check at your local Age UK or use our online benefits calculator at www.ageuk.org.uk/benefitscheck to see whether you're entitled to any benefits. You could be entitled to more than you think.
- Are family or friends able to provide financial support?
- Can you rent out a room in your home? Bear in mind you may have to pay tax on rental income over a certain threshold and your entitlement to benefits and care funded by the local council may be affected.
- If you need money to pay for repairs or equipment to help you live independently, have you checked if you're eligible for financial help from your local council or Home Improvement Agency?



In Wales, contact your local Age Cymru to find out if there's a handyman or HandyVan scheme in your area (page 22) or contact Care and Repair Cymru (page 24). In Northern Ireland check with Age NI for local availability of Handyman schemes (page 22).



If you currently have a mortgage outstanding but you're having difficulty meeting your monthly payments, contact your mortgage lender for help and to talk through your options. Your lender should make reasonable attempts to reach an agreement with you. If you have an interest-only mortgage coming to an end which you are struggling to pay off, contact an advice agency (see pages 23-25).

Before making any decision about equity release, you should get financial advice. If you decide to go ahead with equity release, you'll also need legal advice during the process. See page 11 for more information on seeking the right advice.

Next steps



See our factsheet **Equity release**. For further guidance contact Citizens Advice, StepChange or the National Debtline (in Northern Ireland, contact Citizens Advice or the Housing Rights Service). See pages 23-25 for their contact details.



There might be other options that could provide you with money from your property. You should consider all your options before signing up to any of them.

Part-exchange

Some developers allow you to part-exchange your existing property for a retirement home. This enables you to move without the hassle of selling your property, but the developer does take a percentage of its value.

Next steps

See our factsheet **Equity release**, read the Money Advice Service's guide **Sale and rent back schemes** or contact the Money Advice Service (page 25).

Sale and rent back

With this arrangement, a firm buys your house for less than market value and rents it back to you at a market rent.

Unlike equity release, you can lose your home. You also have to pay rent, which can be increased significantly down the line. There are also specific Housing Benefit rules about paying rent for a property that you used to own.

Be cautious before agreeing to this, and take independent legal advice if you're considering it. Make sure that any provider is authorised and regulated by the FCA (page 23).

Lifetime lease plans

This allows you to purchase the right to live in a property for the rest of your life. It isn't a mortgage, loan or equity release. Instead, you buy a lifetime lease from a company, who would then own the property when you die or move into permanent residential care. Take independent legal advice if you're thinking about this.

“After talking to Age UK I met with a financial adviser to discuss the best options for me.”

Steven, 68



Useful organisations

Age UK

We provide advice and information for people in later life through our Age UK Advice line, publications and website.

Age UK Advice: 0800 169 65 65

Lines are open seven days a week from 8am to 7pm.

www.ageuk.org.uk

Call Age UK Advice to find out whether there is a local Age UK near you, and to order free copies of our information guides and factsheets.

In Wales, contact Age Cymru: **0800 022 3444**

www.agecymru.org.uk

In Northern Ireland, contact Age NI: **0808 808 7575**

www.ageni.org

In Scotland, contact Age Scotland: **0800 124 4222**

www.agescotland.org.uk

Citizens Advice

National network of advice centres offering free, confidential and independent advice, face to face or by telephone.

In Wales there is a national advice service on **0344 477 2020**.

It is available in some parts of England on **0344 411 1444**.

In Northern Ireland, call **0800 028 1881** for debt advice.

For online information and to find details of your nearest Citizens Advice in:

England: **www.citizensadvice.org.uk**

Wales: **www.citizensadvice.org.uk/wales**

Northern Ireland: **www.citizensadvice.org.uk/nireland**

Equity Release Council

Trade association for equity release providers and advice firms that comply with a statement of principles. Provides a list of members and free written information about equity release.

Tel: **0300 012 0239**

www.equityreleasecouncil.com

Financial Conduct Authority (FCA)

Regulates financial services in the UK.

Tel: **0800 111 6768**

www.fca.org.uk

Financial Ombudsman Service

Helps settle disputes between consumers and financial organisations.

Tel: **0800 023 4567**

www.financial-ombudsman.org.uk

Foundations

National body for Home Improvement Agencies (HIAs) and handyman schemes, with a website you can use to find your nearest one in England.

Tel: **0300 124 0315**

www.foundations.uk.com

In Wales, contact Care and Repair Cymru

Tel: **0300 111 3333**

www.careandrepair.org.uk

Housing Rights Service

Offers help and advice on housing to people in Northern Ireland.

Mortgage debt advice line: **028 9024 5640**

www.housingrights.org.uk

Law Society of England and Wales

Professional body for solicitors.

Tel: **020 7242 1222**

www.lawsociety.org.uk/for-the-public

Law Society of Northern Ireland

Tel: **028 9023 1614**

www.lawsoc-ni.org

Money Advice Service

Provides impartial information and guidance about money through their website, helpline and written materials. You can search for a financial adviser through their retirement adviser directory.

Tel: **0800 138 7777**

www.moneyadviceservice.org.uk

National Debtline

Provides free confidential and independent advice on how to deal with debt problems in England and Wales.

Tel: **0808 808 4000**

www.nationaldebtline.org

Personal Finance Society

Can help you search for a qualified financial adviser.

www.thepfs.org/yourmoney

StepChange

Provides debt advice and can help you set up a debt-management plan.

Tel: **0800 138 1111**

www.stepchange.org

Help us be there for someone else

We hope you found this guide helpful. When times are tough, it's so important to get some support. Did you know you could help us reach someone else who needs a little help? Here's how:

1

Give your views on guides like this

Our Readers' Panel helps make sure the information we produce is right for older people and their families. We'd love you to join. Go to www.ageuk.org.uk/publications/readers-panel.

2

Donate to us

Every donation we receive helps us be there for someone when they need us. To make a donation, call us on **0800 169 8787** or go to www.ageuk.org.uk/donate.

3

Volunteer with us

Our volunteers make an incredible difference to people's lives. Get involved by contacting your local Age UK or at www.ageuk.org.uk/volunteer.

4

Campaign with us

We campaign to make life better for older people, and rely on the help of our strong network of campaigners. Add your voice to our latest campaigns at www.ageuk.org.uk/campaigns.

5

Remember us in your will

A gift to Age UK in your will is a very special way of helping older people get expert support in the years to come. Find out more by calling **020 3033 1421** or visit www.ageuk.org.uk/legacy.

What should I do now?

You may want to read some of our other relevant guides, such as:

- **Housing options**
- **More money in your pocket**

You can order any of our guides or factsheets by giving our Advice Line a ring for free on **0800 169 65 65** (8am-7pm, 365 days a year).

Our friendly advisers will also be able to help answer any questions you have about anything you've read.

All of our publications are available in large print and audio formats.

There's plenty of really useful information on our website, too. Visit www.ageuk.org.uk/moneymatters to get started.

If contact details for your local Age UK are not in the below box, call Age UK Advice free on **0800 169 65 65**.



0800 169 65 65
www.ageuk.org.uk



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