

# 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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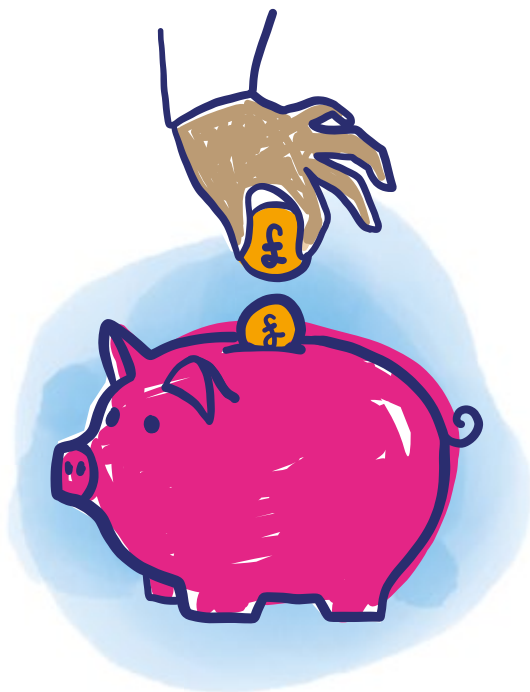
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## What this guide is about

**As we get older, lots of us start to think about how we'll manage financially. You might 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 might have other, better, options – so it's important you don't rush into anything.

This guide explains what equity release is, how it works, and where to get advice to help you 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



Equity release might seem like the answer, but there are risks – we’ll outline a lot of them in this guide. We’ll also point you in the right direction for further advice.



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 a 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.

We’ve listed plenty of reliable organisations in the back of this guide to help you make an informed decision and avoid being caught out.



# Thinking about equity release

Equity release can be complicated, so it's important to get your head around it before making a decision. This section explains what equity release is, who can choose it and where you can get advice.

## What is equity release?

Equity release is a way of accessing some of the money tied up in your home without having to move. You might be able to get a cash lump sum or a regular income – or both.

But it's not as straightforward as it might first seem. Before you take out equity release, it's important to know exactly what it involves, what the risks are, and what other options you have.

### Next steps

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

There are two main types of equity release.

- A **lifetime mortgage** is the most common type. Like a traditional mortgage, it's a loan secured against your home – but the money doesn't usually need to be repaid until you die or move into permanent care. You can also 'roll up' the interest due on the loan until this point, but this can mean the amount you owe grows very quickly.
- A **home reversion plan** allows you to sell part (or all) of your home while you stay living in it. The reversion company then gets a share of the proceeds when your home is sold – usually after you die or move into permanent care. They don't pay you the market rate, so your estate might be significantly reduced if you die shortly after taking out the plan.

There's more information on the different types of equity release on pages 12-15.

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

- Are there other, less risky ways you could boost your income? Find out more on page 19.
- How will releasing equity affect your benefits?
- How will it affect your eligibility for free social care – or the amount you pay if and when you need this care?
- Will it affect your ability to move in the future? Most providers let you transfer a product when you move – but they might not if you're moving to age-restricted or leasehold retirement housing, for instance.
- 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.



## 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 age also affects the maximum amount you can borrow or sell – the older you are, the more money you're likely to receive.

### 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 over a certain value. Certain types of property may not be accepted, so it's worth checking.



## Your family

Equity release can be complicated if you live with any dependants. To stay living in the property with you, they might 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 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 in the future. If a family member or friend moves in, they'll need to sign a waiver releasing any rights to the property. They should get legal advice before doing this.

Similarly, if a partner moves in after you take out equity release, you might not be able to transfer the product into your joint 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 could mean selling or giving up the home.

## Good to know



You might still qualify for equity release if you have a mortgage or other loan secured against your property – but it'll depend on the value of your home and the amount you owe. Any outstanding mortgage or secured loan will need to be cleared at the same time as taking out equity release, either by using some of the money you release 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?**

Any means-tested benefits you receive might be reduced or lost entirely. This will depend on your circumstances and the type of equity release you choose.

## **Can I move house in the future?**

You might be able to transfer your equity release product to a different home – as long as it can act as acceptable security to the provider. Leasehold retirement housing might not be acceptable. If your new home is worth less than the old one, you might have to repay some of the outstanding mortgage.

## **I already have a mortgage, can I still apply?**

It'll 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 out equity release.

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

It depends on the product. With some you can 'protect' a part of your property for 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 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 might not have the right to stay living there if you die or move into permanent care. They'll 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 it's important to consider your other options and think about how releasing money might affect you – both now and in the future. Get independent advice from an equity release specialist to help you decide what's best for you.

All firms selling equity release must offer advice, but it's a good idea to find your own adviser who:

- is authorised by the Financial Conduct Authority
- is qualified and experienced in giving equity release advice
- isn't restricted to recommending products from just one or two firms.

The Equity Release Council (page 24) has a directory of financial advisers with equity release experience. These advisers are all members of the Council, which means they've agreed to meet certain rules and standards.

Alternatively, the MoneyHelper website (page 25) has a directory of retirement advisers which you can use to find equity release specialists in your area. Retirement advisers can also advise on possible alternatives to equity release – such as savings and investments.

The Equity Release Council also has a member directory of solicitors with equity release experience. You'll need a solicitor to carry out the legal work involved in taking out equity release, and it's a good idea to choose one who acts only on your behalf – rather than one recommended by the company providing equity release.

# Different types of equity release

There are two main types of equity release: a lifetime mortgage and a home reversion plan.

## Lifetime mortgage

This is the most common type of equity release. It's a kind of loan secured against your home. It allows you to release tax-free money from the value of your property – sometimes as a cash lump sum and sometimes as regular income.

The maximum loan depends on your age, the value of your property and, in some cases, your health. It means:

- you continue to live in and own your home.
- you continue to maintain, run and insure your home.
- typically, the loan doesn't need to be repaid until the last borrower dies or moves into permanent 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.



**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 the amount you owe can increase very 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 you can usually continue to live in your home until you die or move into permanent care.
- You continue to benefit from any rise in the value of your property. However, this might be outweighed by the amount of rolled-up interest due when the loan is repaid.

## Disadvantages of a lifetime mortgage:

- It'll reduce the value of your estate and the amount that goes to the people named as beneficiaries in your will.
- If you decide to repay the product early, 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 could reduce your entitlement to means-tested benefits, now or in the future (see page 17). You might need to start paying – or paying more – for any care services you receive.
- Equity release might work out more expensive in the long term than downsizing to a cheaper property. If your needs change after taking out equity release, too, there might not be enough equity left in your property to downsize.

## Good to know



Always look for a 'no negative equity guarantee' from lifetime mortgage providers. This means when the property is sold, you or your estate won't have to repay more than the sale proceeds, even if they're less than the amount owed.

# Home reversion plan

A home reversion plan involves selling all or part of your home to a reversion company in return for a tax-free lump sum or a smaller sum with subsequent payments. It means:

You no longer own your home, or you own only 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 care. This will be reflected in what the company pays for their share of your home. Your solicitor should check the terms of the lease and explain them to you – it's important to be sure you understand them.

- When the property is sold (usually after your death or if you move into permanent care), the reversion company receives some or all of the proceeds of the sale, depending on what share of your home you sold. For example, if you sold a 50% share of your home, the reversion company receives 50% of the proceeds when it's sold.
- You continue to be responsible for insuring, maintaining and running your home.

## 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 have the right to live in your home rent-free (or with minimal rent) until you die or move into permanent care.
- As it isn't a loan, there isn't any interest to pay.
- If you haven't sold 100% of your property, you, or your estate, will continue to benefit from any rise in its value. You know what share of your home you can leave to your family – although you don't know the value of that share.
- You can usually release higher amounts than you can through a lifetime mortgage.

## Disadvantages of a home reversion plan:

- It'll 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. They don't pay you the full market price for their share, because they give you the right to live there at low or no rent – potentially for many years.
- If you die or move into permanent care soon after taking out a reversion plan, you could have effectively sold off your home (or a part of it) cheaply. Some plans give your family a rebate if you die shortly after signing up.
- Your entitlement to means-tested state benefits may be affected, now or in the future (see page 17). You might need to start paying – or paying more – for care services you receive.
- 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 adviser. They'll review your personal circumstances and see if there are any possible alternatives. If equity release is the right option for you, they'll provide a recommendation of the type that suits best. See page 11 for more information.

# The risks of equity release

**Equity release can cause more problems than it solves, so it's important to carefully consider the risks.**

## Use a trusted provider

If you're seriously considering equity release, you should make sure you deal with a provider you can trust.

Any company advising on or selling equity release has to be regulated by the Financial Conduct Authority (page 24). This gives you a level of protection and means you can access the Financial Services Compensation Scheme if you ever need it.

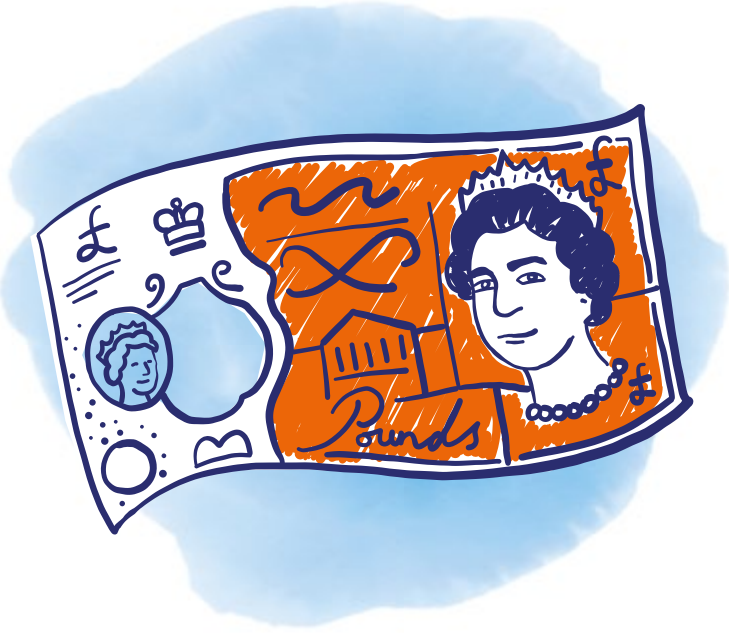
You should choose a product from a company that belongs to the Equity Release Council (page 24). This is an industry body and its members all agree to abide by a voluntary code of conduct, which includes certain product standards. Meeting these standards means:

- you can live in your property for life, or until you move into permanent care, so long as you adhere to the terms and conditions of your contract
- you can move your plan to an alternative property (providing it's acceptable to the equity release product provider)
- you'll never owe more than the value of your home when it's sold after you die or move into permanent 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 24).

If something goes wrong with your plan, contact your provider first. They'll have a complaints procedure to follow. If you're not satisfied with the response, you can contact the Financial Ombudsman Service (page 24) to see if it can help.





## How it could affect your benefits

If you receive any means-tested benefits, they could be reduced or lost entirely, depending on your circumstances and the type of equity release. These include:

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

A specialist equity release adviser should be able to work out what would happen to your benefits if you take out equity release. If they don't know enough about means-tested benefits to tell you this, they must refer you to an organisation like the Pension Service or Citizens Advice.

Make sure the adviser considers your current and future care arrangements, too. Think over their advice carefully – and don't be afraid to get a second opinion if you're not feeling sure.

It's important to consider the potential impact of equity release on benefits you might need to claim in the future, as well as any you currently claim. See our factsheet **Equity release** for more detail about this.

**“I'd heard of equity release but I didn't know the ins and outs of it.”**

Maya, 68



## Next steps



Use our free and simple online benefits calculator at [www.ageuk.org.uk/benefits-check](http://www.ageuk.org.uk/benefits-check) to find out what you might be entitled to.

# 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.**

## Alternatives to equity release

Here are some other options that could suit you better than equity release:

- 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 help you 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 Age Cymru or use our online benefits calculator at [www.ageuk.org.uk/benefitscheck](http://www.ageuk.org.uk/benefitscheck). You could be entitled to more than you think.
- Are family or friends able to provide financial support?
- Could you rent out a room in your home? Bear in mind you might have to pay tax on rental income over a certain threshold – and your entitlement to benefits and care funded by the local council could be affected.
- Can you find any ways to save? If you need help with managing your money, contact an advice agency like StepChange Debt Charity (page 26).
- If you need 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 handyperson or HandyVan scheme in your area (page 23) or contact Care and Repair Cymru (page 25). In Northern Ireland, check with Age NI for local availability of Handyperson schemes (page 23).

If you currently have a mortgage outstanding but you're having difficulty meeting your monthly payments, contact your mortgage lender 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're struggling to pay off, contact an advice agency (see pages 24-26).

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

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.

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

Steven, 65





### **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.

### **Sale and rent back**

This is when a firm buys your house for less than market value and rents it back to you. While this might sound similar to a home reversion plan (page 14), there are key differences.

With home reversion, you continue to live in your property under a lease – which usually gives you the right to stay there for life. With sale and rent back, you're given a tenancy with little protection against eviction or rent increases.

Your rent is a market rent, which is usually much higher than the low (or no) rent charged by home reversion companies. 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 24).

### **Lifetime lease plan**

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 have control of the property when you die or move into permanent care. Take independent legal advice if you're thinking about this.

## **Next steps**



See our factsheet **Equity release** for more information. For further guidance, contact Citizens Advice, StepChange Debt Charity or the National Debtline (in Northern Ireland, contact Citizens Advice or the Housing Rights Service). See pages 24-26 for their contact details.

# 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](http://www.ageuk.org.uk)**

In Wales, contact Age Cymru Advice: **0300 303 44 98**

**[www.agecymru.org.uk](http://www.agecymru.org.uk)**

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

**[www.ageni.org](http://www.ageni.org)**

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

**[www.agescotland.org.uk](http://www.agescotland.org.uk)**

## Citizens Advice

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

In England, call Adviceline: **0800 144 8848**

In Wales, call Advicelink: **0800 702 2020**

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

England: **[www.citizensadvice.org.uk](http://www.citizensadvice.org.uk)**

Wales: **[www.citizensadvice.org.uk/wales](http://www.citizensadvice.org.uk/wales)**

Northern Ireland: **[www.citizensadvice.org.uk/about-us/northern-ireland](http://www.citizensadvice.org.uk/about-us/northern-ireland)**

## 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](http://www.equityreleasecouncil.com)**

## Financial Conduct Authority (FCA)

Authority responsible for regulating financial services in the UK.

Tel: **0800 111 6768**

**[www.fca.org.uk](http://www.fca.org.uk)**

## Financial Ombudsman Service

Service that helps settle disputes between consumers and financial organisations.

Tel: **0800 023 4567**

**[www.financial-ombudsman.org.uk](http://www.financial-ombudsman.org.uk)**



## **Foundations**

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

Tel: **0300 124 0315**

**[wwwFOUNDATIONS.uk.com](http://wwwFOUNDATIONS.uk.com)**

In Wales, contact **Care and Repair Cymru**

Tel: **0300 111 3333**

**[www.careandrepair.org.uk](http://www.careandrepair.org.uk)**

## **Housing Rights Service**

Service offering help and advice on housing to people in Northern Ireland.

Helpline: **028 9024 5640**

**[www.housingrights.org.uk](http://www.housingrights.org.uk)**

## **Law Society of England and Wales**

Independent professional body for solicitors in England and Wales.

Tel: **020 7242 1222**

**[www.lawsociety.org.uk/for-the-public](http://www.lawsociety.org.uk/for-the-public)**

## **Law Society of Northern Ireland**

Independent professional body for solicitors in Northern Ireland.

Tel: **028 9023 1614**

**[www.lawsoc-ni.org](http://www.lawsoc-ni.org)**

## **MoneyHelper**

Service providing information and guidance on money management. You can search for a financial adviser through their retirement adviser directory.

Tel: **0800 138 7777**

**[www.moneyhelper.org.uk](http://www.moneyhelper.org.uk)**

## **National Debtline**

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

Tel: **0808 808 4000**

**[www.nationaldebtline.org](http://www.nationaldebtline.org)**

## **Personal Finance Society**

Website you can use to start your search for a qualified financial adviser.

**[www.thepfs.org/yourmoney](http://www.thepfs.org/yourmoney)**

## **StepChange Debt Charity**

Charity providing debt advice. It can help you set up a debt management plan.

Tel: **0800 138 1111**

**[www.stepchange.org](http://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/readers-panel](http://www.ageuk.org.uk/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](http://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](http://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](http://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](http://www.ageuk.org.uk/legacy).

# What should I do now?

You may want to read some of our relevant information guides and factsheets, 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 are there to help answer any questions.

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](http://www.ageuk.org.uk/moneymatters)** to get started.



**0800 169 65 65**  
**[www.ageuk.org.uk](http://www.ageuk.org.uk)**

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



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