Equity release

Deciding whether equity release is right for you

Age UK
Love later life

Money matters

AgeUKIL6

Information and advice you need to help you love later life.

We're Age UK and our goal is to enable older people to love later life.

We are passionate about affirming that your later years can be fulfilling years. Whether you're enjoying your later life or going through tough times, we're here to help you make the best of your life.

Our network includes Age Cymru, Age NI, Age Scotland, Age International and more than 160 local partners.

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What this guide is about

As we get older, we often start to think about how we'll manage financially, especially if we have a small income and limited savings. If you own your home and are aged 55 or over, you might be considering equity release as a way of releasing cash from your home without having to move.

However, equity release is a big decision and it might not be the best or only solution. If you are considering equity release, this guide will provide you with some basic information about how it works, where to get advice, and whether it may be right for you.

Before making any decision about equity release, it is important to get both specialist equity release advice and legal advice.

As far as possible, the information in this guide is applicable across the UK.

Key

i	This symbol indicates where information differs for Scotland, Wales and Northern Ireland.
what next?	This symbol indicates who to contact for the next steps you need to take.

What is equity release?

Equity release is a way that some homeowners aged 55 and over can release cash from their home without having to move. The older you are, the more you can release.

There are two main types of equity release plans.

Lifetime mortgage

You borrow money against the value of your home, but pay nothing back until after your home is sold – either after your death or when you move into long-term care. See page 6 for more information.

Home reversion scheme

You raise money by selling your home, or a part-share of it, while continuing to live in it until you die or move into long-term care. See page 7 for more information.

Equity release is a big decision and you should consider all your options first. Start by thinking about other ways to raise money – perhaps by moving to a smaller property, or by claiming any state benefits you may be entitled to. You can drop into your local Age UK to arrange a benefits check or use our online benefits calculator at www.ageuk.org.uk/benefitscheck to see whether there are any benefits you may be entitled to. Read our free guide *More money in your pocket: a guide to claiming benefits for people over pension age*. In Wales, Age Cymru publishes its own version of the guide. In Scotland, contact Age Scotland for a benefits check.

It's also a good idea to think about your personal circumstances. If you receive state benefits, how will having an equity release plan affect your benefits? If your circumstances change, will it affect your ability to move? 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. Most importantly, you should get both specialist equity release advice and legal advice before signing up for equity release.

what next?

For more detailed information, see our free factsheet *Equity release*.

Equity release is a way that some homeowners aged 55 and over can release cash from their home without having to move.

Who can choose equity release?

There are certain conditions you must meet before taking out an equity release plan.

- For a lifetime mortgage you (and your partner) need to be at least 55 years old (the older you are, the more money you are likely to raise from the scheme). For a home reversion scheme you (and your partner) need to be at least 65 years old.
- You must own property in the UK. This property must be your main residence.
- Equity release may not be suitable if you have dependants living with you. Your adviser will be able to provide you with more information.
- You will need to use the money you release to pay off any existing mortgage or secured loan immediately; you would then be free to use whatever money is left over for your other financial needs.
- Your property must be in reasonable condition and over a certain value. There may also be restrictions on the type of property accepted. But most houses and some flats can qualify.

Different types of equity release plans

There are two main types of equity release plans.

Lifetime mortgage

- You take out a mortgage loan secured on your home. The maximum loan depends on your age, from about 15% of the value of your home for the youngest people to about 45-50% for the oldest.
- You keep full ownership of your home.
- The mortgage loan with accumulated interest is repaid from the sale of your home when you die or move into long-term care. Reputable schemes guarantee that the repayment will never exceed the value of your property (the ‘no negative equity guarantee’).
- Alternatively, you could consider an interest-only lifetime mortgage. With these, you repay the interest on the loan and can be safe in the knowledge that the original mortgage balance will remain exactly the same for the lifetime of the mortgage.
- Some providers offer a ‘drawdown’ facility, which means that instead of borrowing all you need as a lump sum at the start, you can take smaller cash amounts as you need to. Consider drawing only what you need now and make further drawdowns later to minimise interest costs.

To understand the features and risks of a lifetime mortgage, seek advice from a specialist equity release adviser and ask them to give you a personalised illustration.

Home reversion

- You sell your home, or a part-share of it, to a reversion company.
- 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 a care home. Get a solicitor to check the terms of the lease to make sure you know what to expect.
- The reversion company will take their percentage share of the sales proceeds when the property is sold after you move into long-term care or die.
- 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) for life and it may have to wait years for its monetary return.

To understand the features and risks of a home reversion plan, seek advice from a specialist equity release adviser and ask them to give you a personalised illustration.

what next?

It is vital to take advice from a specialist equity release adviser when considering equity release. The adviser will look at your overall finances to see if equity release is really your best option and help you to find the right type of scheme. You can search for a financial adviser on the Money Advice Service retirement adviser directory (see page 21). Alternatively, you can search for an adviser through the Equity Release Council (see page 19), the Personal Finance Society (see page 21) or www.unbiased.co.uk. Age UK Enterprises offers access to the Age UK Equity Release Advice Service provided by Just Retirement Solutions. See page 18 for further details.

Is equity release right for you?

There are advantages and disadvantages to choosing equity release.

Advantages include:

- You can get a lump sum, take cash to supplement your income, or both, and you don't have to move house.
- You continue to benefit from any rise in the value of your property (unless you have sold its entire value in a home reversion scheme). Remember the amount you owe may also go up because of interest charges applied to lifetime mortgages, so your capital may not increase.
- A reputable plan will guarantee you'll be able to continue living in your home until you die or go into long-term care. You may be able to transfer your equity release scheme to a different property. This will only be allowed if the property is suitable and your lender agrees.
- Costs and fees for setting up an equity release plan can usually be paid for with the money the plan pays you.

Disadvantages of a lifetime mortgage include:

- The interest is added to the amount you owe. As you are paying interest on the interest, the amount owed can grow quickly. Compare interest rates of different lifetime mortgages, ensuring that they are either at a fixed rate or have a cap on the interest rate.
- If you decide to repay the plan early, perhaps if you get an unexpected windfall, there could be a substantial early repayment charge. Check the details of plans to see what this charge could be.

Disadvantages of a home reversion scheme include:

- You will get far less than full market value if you sell some or all of your property through a home reversion scheme (see page 7), because you can continue to live in it without any rent payments (or almost none) until you die or go into long-term care.
- If you die or move into long-term care soon after taking out a reversion scheme, you could have sold off your home (or a part of it) cheaply – although some schemes give families a rebate if you die within the first few years of signing up.

Disadvantages of both include:

- Getting a lump sum or taking extra cash to supplement your income may reduce your entitlement to means-tested benefits, now or in the future (see page 10). It could also increase what you have to contribute to the cost of care services provided through your council.
- You remain responsible for maintaining and running your home and for insuring the building, just as you were before using equity release.

If you want someone such as a relative, carer or new partner to move in, contact your provider. They may not have the right to stay living there after you die or move into long-term care. You may also be able to add someone to a lifetime mortgage provided that they satisfy the lender's minimum age requirement, lending criteria and terms and conditions. Contact your provider and your adviser and solicitor for more information.

How will equity release affect your benefits and tax position?

You need to consider the impact on any benefits that you receive when you enter into an equity release scheme, and be aware of the possible impact on any benefits that you may become entitled to in the future.

If you receive any means-tested benefits, such as Pension Credit, Jobseeker's Allowance, Income Support, income-related Employment and Support Allowance, Universal Credit, support with Council Tax, or care services, they may be reduced or lost entirely. This will depend on your circumstances and the type of equity release scheme that you choose.

A specialist equity release adviser will be able to work out what could happen to your benefits if you take out an equity release plan. Consider this information carefully.

The equity you release will be tax-free. Any income you raise from investing the money may increase the amount of income tax you have to pay.

what next?

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

Equity release is a big decision and it might not be the best or only solution.

If you're having difficulty paying your residential mortgage

If you're having difficulty meeting your monthly mortgage payments, you should contact your mortgage lender for help and to talk through your options. Your lender should make reasonable attempts to reach an agreement with you.

For further guidance contact Citizens Advice, Stepchange or the National Debtline (in Northern Ireland, contact Advice NI or the Housing Rights Service). See pages 18–22 for their contact details.

You may be eligible for help via a Mortgage Rescue Scheme in England and Wales. Contact your local council for details. In Wales, you can also download a free copy of Shelter Cymru's booklet *Mortgage arrears*, or call an adviser to find out more about your options (see page 22).

In Scotland, there is a government scheme called the Home Owners' Support Fund, which supports people who are having difficulties repaying their mortgage. Contact Citizens Advice Scotland or Money Advice Scotland, as you usually need to have taken impartial advice first (see pages 19–21).

Avoiding risk

Lifetime mortgages, home reversion schemes and advisers are regulated by the Financial Conduct Authority (FCA). Make sure you speak to a specialist equity release adviser, and that both the adviser and the equity release plan are authorised by the FCA.

You may want to choose a product from a company that is a member of the Equity Release Council (see page 19). This is an industry body and its members agree to abide by a voluntary code of conduct. Members guarantee that you can live in your property for life, move your plan to an alternative property without penalties (providing it is acceptable to the company) and never owe more than the value of your home. If you use a provider that is not a member of the Equity Release Council, check whether it offers similar benefits.

Make sure you speak to a specialist equity release adviser, and that both the adviser and the equity release plan are authorised by the FCA.

Other options

Sale and rent back

You might wonder whether sale and rent back would be better for you than equity release, as you would probably be offered more money. Be cautious before agreeing such an arrangement, and take independent legal advice. Unlike equity release, you can lose your home. You also have to pay rent, which can later be increased significantly. There are specific Housing Benefit rules about paying rent for a property which you used to own.

If you are considering sale and rent back, make sure that the provider is authorised and regulated by the Financial Conduct Authority (FCA). For more information, contact the Money Advice Service (see page 21).

Home for Life

You may see properties advertised as 'price reduced for the over 60s under a home for life plan'. This isn't a mortgage, loan or equity release scheme. Instead, you would buy a lifetime lease from a company and wouldn't own the property at the end of the term. You should take independent legal advice if you're considering this.

what next?

See our free factsheet *Equity release* to find out more. Read the Money Advice Service's guide *Sale and rent back schemes* for additional information (see page 21). In Scotland, you may also be considering the Help to Adapt Scheme. Visit http://linkhousing.org.uk/what-we-do/help-to-adapt/ for more information.

Seeking legal and financial advice

Always get advice from a specialist equity release adviser before taking out an equity release plan. Make sure the financial adviser you choose is authorised by the FCA. You can search for a financial adviser on the Money Advice Service retirement adviser directory (see page 21) or through the Equity Release Council (see page 19), the Personal Finance Society (see page 21) or www.unbiased.co.uk. Age UK Enterprises offers access to the Age UK Equity Release Advice Service which is provided by Just Retirement Solutions. See page 18 for further details.

Before you sign up to an equity release plan, speak to an independent solicitor who has equity release knowledge. The Equity Release Council (see page 19) or the relevant Law Society in your nation can provide you with a list of local solicitors (see page 20). Age UK Enterprises Limited* also offers legal support and advice through the law firm Irwin Mitchell. Call Irwin Mitchell on 0800 055 6314 for more information.

If something goes wrong with your plan, contact the provider first. It will have a complaints procedure to follow. If you're not satisfied with the response, call the Financial Ombudsman Service to see if it can help (see page 19).

what next?

Call the Money Advice Service on 0300 500 5000 and ask for a call-back, to get free general guidance about equity release.

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Before you sign up to an equity release plan, speak to an independent solicitor who has equity release knowledge.

Useful organisations

Age UK

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

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** by calling Silver Line Scotland: 0800 470 8090 (This is a partnership between The Silver Line and Age Scotland)
www.agescotland.org.uk

Age UK Equity Release Advice Service

Age UK offers access to the Age UK Equity Release Advice Service provided by Just Retirement Solutions Limited*. Just Retirement Solutions Limited offers advice on a range of products from a panel of carefully selected providers. Call Just Retirement Solutions on 0800 023 2814** to find out more.

Fees associated with equity release will be disclosed in writing and discussed by the specialist equity release adviser before the advice process starts.

Advice NI

Provides free advice about managing your money in Northern Ireland. Also offers debt advice.

Tel: 0800 917 4607 for debt advice
www.adviceni.net
www.debtaction-ni.net

*Age UK Enterprises Limited receives commission from Just Retirement Solutions Limited of up to 0.75 per cent of the amount advanced under each equity release plan sold plus a contribution towards marketing support. Any net profits raised by Age UK Enterprises Limited from commission are donated to Age UK the Charity (registered charity number 1128267). Registered address Tavis House, 1-6 Tavistock Square, London, WC1H 9NA.

**If you call the 0800 number, you will be dealing with Just Retirement Solutions Limited, which provides and manages the Age UK Equity Release service. Calls may be monitored or recorded for training purposes.

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

In Wales there is a national phone advice service on 0344 477 2020. It is available in some parts of England on 0344 411 1444. In Scotland, there is a national phone advice service on 0808 800 9060.

For online information and to find details of your nearest Citizens Advice in:
England or Wales: www.citizensadvice.org.uk
Northern Ireland: www.citizensadvice.co.uk
Scotland: www.cas.org.uk

The Equity Release Council (formerly SHIP)
Trade association for providers of equity release schemes that comply with a code of conduct. Provides a list of members and free written information about equity release.

Tel: 0844 669 7085
www.equityreleasecouncil.com

Financial Conduct Authority (FCA)
Regulates financial services in the UK (formerly the Financial Services Authority).

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

Home Owners’ Support Fund
Provides help to those in Scotland who are in danger of having their homes repossessed.

www.gov.scot (search for Home Owners’ Support Fund)

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

Mortgage debt advice line: 0300 323 0310
www.housingrights.org.uk

Law Society of England and Wales
Professional body for solicitors.

Tel: 020 7242 1222
www.lawsociety.org.uk

Law Society of Northern Ireland
Tel: 028 9023 1614
www.lawsoc-ni.org

Law Society of Scotland
Tel: 0131 226 7411
www.lawscot.org.uk

Money Advice Service
Provides impartial information and guidance about money to help you work out what is right for you. It produces a wide range of materials on finance-related matters that you can download from its website or order from the helpline. Also allows you to search for a financial adviser through their retirement adviser directory.

Tel: 0300 500 5000
www.moneyadviceservice.org.uk

Retirement adviser directory:
directory.moneyadviceservice.org.uk

Money Advice Scotland
Contact them to find your nearest money advice agency in Scotland.

Tel: 0141 572 0237
www.moneyadvicescotland.org.uk

National Debtline
Provides free confidential and independent advice on how to deal with debt problems.

Tel: 0808 808 4000 (freephone)
www.nationaldebtline.org

Personal Finance Society
Can help you understand your choices when it comes to money and allows you to search for a qualified financial adviser.

Tel: 020 8530 0852
www.thepfs.org

Shelter Cymru
Provides free advice for people in housing need in Wales.

Tel: 0345 075 5005
www.sheltercymru.org.uk

Solicitors for the Elderly
Independent national organisation of solicitors who specialise in a wide range of legal issues affecting older people. Contact the organisation for help in finding a solicitor.

Tel: 0844 567 6173
www.sfe.legal

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

Tel: 0800 138 1111
www.stepchange.org

Unbiased.co.uk
Search online for local independent financial advisers (IFAs).

Tel: 0330 1000 755
www.unbiased.co.uk

Can you help Age UK?

Please complete the donation form below with a gift of whatever you can afford and return to: Age UK, Tavis House, 1–6 Tavistock Square, LONDON WC1H 9NA. Alternatively, you can phone 0800 169 87 87 or visit www.ageuk.org.uk/donate. If you prefer, you can donate directly to one of our national or local partners. Thank you.

Personal details

Title:	Initials:	Surname:

Address:

Postcode:

Tel:	Email:

By providing your email address and/or mobile number you are agreeing to us contacting you in these ways. You may contact us at any time to unsubscribe from our communications.

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Card payment

I wish to pay by (please tick) ☐ MasterCard ☐ Visa ☐ CAF CharityCard ☐ Maestro ☐ American Express

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Signature **X**

Expiry date /   Issue no. (Maestro only)

Gift aid declaration

☐ (please tick) Yes, I want Age UK and its partner organisations* to treat all donations I have made for the four years prior to this year, and all donations I make from the date of this declaration until I notify you otherwise, as gift aid donations. I confirm I pay an amount of income tax and/or capital gains tax at least equal to the tax that the charity will reclaim on my donations in the tax year. Date: ___/___/___ (please complete). *Age Cymru, Age Scotland and Age NI

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Love later life

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Supporting the work of Age UK

Age UK aims to enable all older people to love later life. We provide vital services, support, information and advice to thousands of older people across the UK.

In order to offer free information guides like this one, Age UK relies on the generosity of its supporters. If you would like to help us, here are a few ways you could get involved:

1

Make a donation
To make a donation to Age UK, simply complete the enclosed donation form, call us on **0800 169 8787** or visit **www.ageuk.org.uk/get-involved**

2

Donate items to our shops
By donating an unwanted item to one of our shops, you can help generate vital funds to support our work. To find your nearest Age UK shop, visit **www.ageuk.org.uk** and enter your postcode into the 'What does Age UK do in your area?' search function. Alternatively, call us on **0800 169 8787**

3

Leave a gift in your will
Nearly half the money we receive from supporters come from gifts left in wills. To find out more about how you could help in this way, please call the Age UK legacy team on **020 3033 1421** or email **legacies@ageuk.org.uk**

Thank you!

What should I do now?

For more information on the issues covered in this guide, or to order any of our publications, please call Age UK Advice free on **0800 169 65 65** or visit **www.ageuk.org.uk/moneymatters**

Our publications are also available in large print and audio formats.

The following Age UK information guides may be useful:

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

The Age UK Group offers a wide range of products and services specially designed for people in later life. For more information, please call **0800 169 18 19**.

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

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