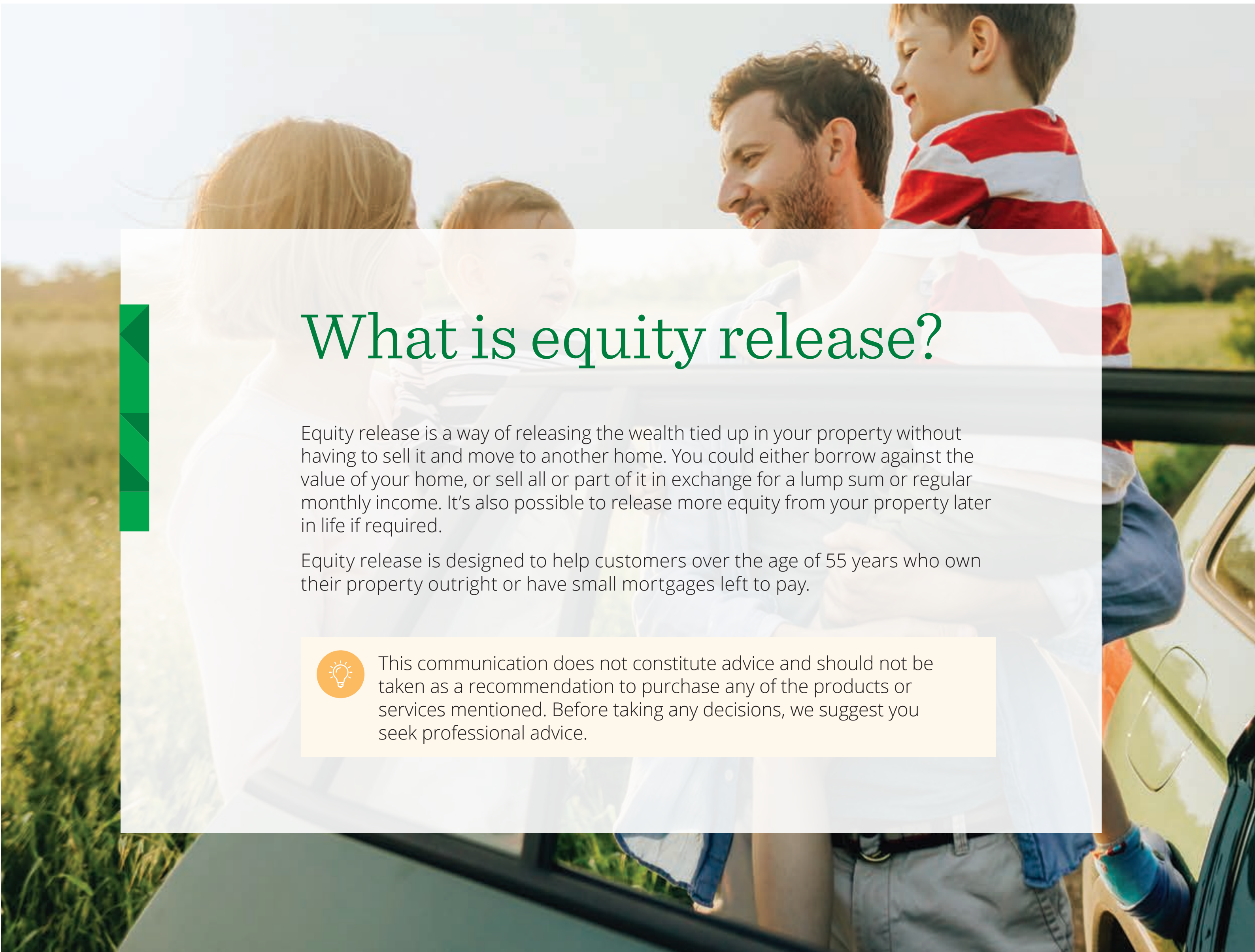
Quilter Financial Advisers

Your guide to equity release

What we'll cover:



What is equity release?

Equity release is a way of releasing the wealth tied up in your property without having to sell it and move to another home. You could either borrow against the value of your home, or sell all or part of it in exchange for a lump sum or regular monthly income. It's also possible to release more equity from your property later in life if required.

Equity release is designed to help customers over the age of 55 years who own their property outright or have small mortgages left to pay.

This communication does not constitute advice and should not be taken as a recommendation to purchase any of the products or services mentioned. Before taking any decisions, we suggest you seek professional advice.

The different types of equity release

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

To help you make an informed decision, we have outlined the differences between each type of equity release and what factors to consider.

Lifetime mortgages

A lifetime mortgage is a type of mortgage where you choose to extract your fund through a single lump sum or in smaller amounts over time, to the maximum limit agreed with your provider.

With a lifetime mortgage, you can also retain some of the property's value as an inheritance for family members if this is something you are considering.

By choosing a lifetime mortgage, you retain full ownership of your home and the loan's interest can be fixed or rolled up. The loan and rolled-up interest are repaid by your estate when you pass away or, depending on your circumstances, move into care permanently. For a couple, it would be based on the last to survive.

Lifetime mortgages can offer the ability to make monthly interest payments in part or full, therefore maintaining the debt to the minimum amount before interest.

The amount released depends on your age and the value of the property. Some providers can offer larger sums to those with particular past or present medical conditions, or lifestyle factors.

Home reversion plans

A home reversion plan allows you to access all, or part, of the value of your property while retaining the right to remain in it rent-free. With home reversion, the provider will purchase all, or a percentage, of your house.

You will understand precisely what portion of the property you have parted with and what has been ring-fenced for later use. The percentage you retain in your property always remains the same, regardless of the change in property value, unless you decide to take further cash releases.

At the end of the plan, your property is sold, and the sale proceeds are allocated according to the remaining proportions of ownership.

Like lifetime mortgages, you may be able to access more funds, depending on your age and medical conditions. You will be provided with a cash lump sum or regular payments, and a lifetime lease guaranteeing you the right to stay in your property rent-free for the rest of your life. You'll be able to live in your home freely, precisely as before.

What to consider

For many people, unlocking money tied up in property can make a real difference, whether you're thinking about family, consolidating debt, or even home improvements. However, you should consider several important factors before deciding on equity release.

Cost

Equity release can be more expensive when compared to an ordinary mortgage. When taking out a lifetime mortgage, you will typically be charged a higher interest rate than you would on a standard mortgage, and the debt can grow quickly if the interest is rolled up.

The plan provider charges more interest because they must factor in safeguards such as a no negative equity guarantee (so you will never owe more than the value of your home, regardless of interest payments due, and any changes in property value) and a fixed interest rate for the life of the plan. These safeguards mean the interest rate is different to an ordinary mortgage.

Term

For lifetime mortgages, there is no fixed 'term' or date by which you are expected to repay your loan. The interest rate of a lifetime mortgage will not change during the life of your contract, unless you take additional borrowing, and then it will only apply to that cycle of extra borrowing.

Value of home

In most cases, you are more likely to get a higher value sale when selling your home in the open market rather than through a home reversion plan.

Future needs

If you release equity from your home, you may be unable to rely on your property for money you need later in your retirement, such as long-term care.

Flexibility

A lifetime mortgage can impact your flexibility. For example, if you move home and take your lifetime mortgage with you, you may not have enough equity in your home when you decide to downsize later in life. In this instance, you may have to repay some of the mortgage.

Impact on state benefits

The money you receive from equity release may affect your entitlement to state benefits.

Tax

You will not usually have to pay Income or Capital Gains Tax on the amount you receive when it is released from your main home.

Fees/charges

You must pay arrangement fees which include solicitor and advice charges. If you change your mind, there could also be early repayment charges to pay, although these would not apply on death or long-term care planning.

Estate planning

When you take an interest roll-up plan, you will have less to pass on to your family as an inheritance.

We’re here to help you

We take pride in offering a personal service that considers your individual circumstances. Your financial situation is unique, so we work hard to understand your goals and aspirations.

Whatever your need for releasing equity, we will provide a complete advice package to ensure you make the right choice.

Your adviser will consider the following when determining the appropriate solution for you:

- What your motivations and needs are for releasing equity.
- How you wish to receive the money, for example, ongoing or in a lump sum.
- How you wish to service the interest, for example, monthly or roll-up.
- The proposed interest rate, fees, and charges.
- Whether fixed early repayment charges are essential to you.
- The importance of estate planning and the selection of a solution which offers an equity guarantee, or a means of paying the ongoing interest.
- If you want to release equity now and again in the future. Drawdown solutions that allow you to take an initial lump sum but with a facility to take more later.

Your home may be repossessed if you do not keep up repayments on a mortgage or any other debt secured on it.
Equity release, including lifetime mortgages and home reversion plans, will reduce the value of your estate and can affect your eligibility for means tested benefits.

Your next steps:

1. **Reflect on what you want to achieve** by working with us.
2. **Think about your goals.**
3. **Contact your financial adviser** to discuss your options.

We'll then get in touch to set up our next meeting together.

Need additional help reading documents?

More and more of our clients are using screen reading software as a quick and easy way to read their documentation if they are blind, partially sighted, or dyslexic. Alternatively, we can write to you in several alternative formats, such as large print, braille, audio, and OpenDyslexic font.

If you'd like to switch to any of these methods, please let your adviser know and we will be happy to help.

Quilter Foundation

The Quilter Foundation is Quilter's charity. The Quilter Foundation provides vital funding to carefully selected charitable organisations, focusing on education, employment and health & wellbeing.

To find out more visit:
www.quilter.com/the-quilter-foundation

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