

• EQUITY RELEASE FACTSHEET

Use of money tied up in property: equity release

Alternatively, it may be worth considering releasing equity, or money, from the home by using an Equity Release scheme, the three variants being a Lifetime Mortgage, a Home Reversion scheme or a Sale and Rent Back Scheme.

These three schemes work broadly as follows:

Lifetime mortgage

- You take out a loan secured on your home.
- You keep full ownership of your home, although you will have to pay back the mortgage on it, together with the accumulated interest.
- You repay the mortgage from the sale of your home, either when you die or move out. Reputable schemes guarantee that the repayment will never exceed the value of your property.
- Many 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 either when you need or on a regular basis.

Home reversion

- You sell your home or part of it to a reversion company.
- You no longer own your home, or you only own a part of it. You receive a lease giving you the right to live there rent-free (or sometimes for a token rent) for your lifetime or until you have to move to a care home. Check the terms of the lease to make sure you know what to expect.
- The reversion company will get its payout when the property is sold.
- The reversion company will only pay you a percentage of the current market value of your property because it may have to wait years for its return.

Sale and rent back schemes

- You sell your home, in return for a right to rent it back for a fixed term.
- You do not have the right to stay there for life, so get advice and check the tenancy agreement carefully.

- Check that the provider is authorised by the Financial Services Authority. All equity release providers must be authorised, but if you take a plan from a provider that is not, it is operating illegally and you will not be protected.

Terms & conditions

Generally, for all of these schemes to use an equity release scheme, the owner must:

- Be at least 55 years of age
- Have paid-off their mortgage
- Own a property in a 'reasonable' condition

Who to use

Equity release received a lot of bad press in the 1990s and consequently has not been used as much here in the UK. We have tended to use it far less than countries such as Australia and the US. However, it now seems to be increasing in popularity and is available from many banks, building societies, insurers and specialist funds.

While some of the providers of these products are well known names, others are small specialists. Size and reputation are not a guide in themselves to how good a product is or whether it meets your needs. We recommend consulting an Independent Financial Advisor (IFA) that specialises in dealing with financial products for older people. Please feel free to contact us to point you in the direction of such an IFA.