

# Michael Forward

Financial Services



GUIDE TO

# EQUITY RELEASE

UNLOCKING CASH IN YOUR  
HOME – IS IT RIGHT FOR YOU?

FINANCIAL GUIDE

**Milton Keynes office**

6 Wenning Lane, Emerson Valley  
Milton Keynes, Buckinghamshire MK4 2JF  
**Tel:** 01908 504083

**Northampton office**

Burlington House, 369 Wellingborough Road  
Northampton NN1 4EU  
**Tel:** 01604 635435

**Web:** [www.michaelforward.co.uk](http://www.michaelforward.co.uk)

**Email:** [enquiries@michaelforward.co.uk](mailto:enquiries@michaelforward.co.uk)

*Michael Forward Financial Services Ltd is authorised and regulated by the Financial Conduct Authority.*

# GUIDE TO EQUITY RELEASE

*Unlocking cash in your home – is it right for you?*

**W**e all look forward to the day when we can stop or cut down on the amount of time we spend at work and all of the things we'd like to do once we've retired. If you're facing a pension shortfall or need to meet an unexpected expense, equity release may be an option to consider. It allows you to unlock some of the wealth you've accumulated in your property without having to move. But before you consider taking this option, there are key aspects of it that you need to know.

The equity or value you have within your home is its open market value less any mortgage or other debt held against it. You are more likely to be able to make use of an equity release scheme if you have no current mortgage, or if any mortgage you have is relatively small.

## **THERE ARE TWO MAIN TYPES OF EQUITY RELEASE SCHEME:**

- **Lifetime mortgage** – a loan secured on your home, which is repaid by

selling your home when you die or go into long-term care

- **Home reversion** – you sell all or part of your home to a scheme provider in return for regular income or a cash lump sum, or both, and continue to live in your home for as long as you wish

### **With an equity release scheme, you:**

- Have to be over a certain age (usually over 55) and own your own home
- Receive a tax-free cash lump sum, a regular income or both, to use as you wish
- Continue to live in your own home
- Continue to be responsible for maintaining your home

### **Generating additional cash**

When it comes to generating additional cash, some people may feel they have no option but to sell their home and downsize to obtain the money they need. With equity release, you can generate additional cash without incurring the cost and upheaval of moving.

If you do have an outstanding mortgage and want to take out equity release, you will need to settle your mortgage first, which will affect the amount you then have access to for other purposes.

### **Using the money released**

Some people use the tax-free cash they receive from equity release to make improvements to their home, installing a new kitchen or bathroom, or just updating the property. Others may choose to help their families, whether it is helping children and grandchildren onto the housing ladder, helping with education, assisting in times of need, or simply allowing them to see their family enjoy their inheritance early.

The tax-free cash obtained from releasing equity can also be used to pay off existing debts, which can be one way of reducing your monthly outgoings, meaning that you could have more money available to live on.

## YOUR EQUITY RELEASE QUESTIONS ANSWERED

### Q: What happens to my partner if I die?

**A:** If the scheme is in both your names, the arrangements will continue.

If you are using equity release to improve your income, make sure you consider what the situation would be if you or your partner were to die.

If the property and scheme were in your sole name, the property would have to be sold and your partner would have to find somewhere else to live (unless, for example, they could repay the lifetime mortgage in full).

## SOME PEOPLE USE THE TAX-FREE CASH THEY RECEIVE FROM EQUITY RELEASE TO MAKE IMPROVEMENTS TO THEIR HOME, INSTALLING A NEW KITCHEN OR BATHROOM, OR JUST UPDATING THE PROPERTY.

”

### Q: Is there a minimum amount I have to take?

**A:** There may be a minimum amount you have to take. This, for example, could be £15,000 or £25,000. It will depend on the scheme and provider. But you may not have to take it all at once. Drawdown loans can be taken in smaller amounts over time.

### Q: Would an equity release scheme reduce the amount of Inheritance Tax (IHT) due on my estate after my death?

**A:** An equity release scheme will reduce the value of the estate you leave when you die, so this may reduce a potential IHT liability. But if you are thinking of using an equity release scheme as part of your planning for IHT, you should obtain professional financial advice.

### Q: Who would be responsible for maintenance costs in the home?

**A:** You will be responsible for keeping the home in good repair. If you don't maintain the home, the scheme provider could arrange the necessary repairs, and you would have to pay for them.

### Q: Should I use equity release as a way of dealing with my debts?

**A:** Equity release may not be the best way to clear your debts. You should obtain professional financial advice to review your situation.

### Q: Is a sale-and-rent-back scheme the same as a home reversion?

**A:** No. You may have to leave your home after the end of the fixed term in your tenancy agreement, which may only last five years. You will have to pay a much higher rent than under a home reversion plan, and the rent could go up.

### Q: What happens if my partner or I need long-term care?

**A:** Your equity release scheme will usually carry on unchanged if care is provided in your own home or just one of you moves to a residential or nursing home. If you both move into a care home, the scheme will usually end and the property will be sold.

### Q: What about changes in my circumstances?

**A:** If you take equity release while single and later decide to share the home, you may be able to transfer the scheme into your joint names, but this may only be possible if the second person meets the scheme's minimum age requirements. There may also be a charge for this.

If you cannot transfer the scheme into joint names, the other person will not be able to stay in the home if you die or move out.

### Time to make an informed decision?

Taking out equity release is an important decision, so it's vital that you have obtained as much information as possible to be in a position to make an informed choice. We can help you look at your options and establish whether equity release could be right for you. Please contact us for further information – we look forward to hearing from you.

*RELEASING EQUITY FROM YOUR HOME IS A LIFETIME COMMITMENT, SO IT'S WORTH INCLUDING YOUR FAMILY IN ANY DECISION YOU MAKE.*

*EQUITY RELEASE MAY INVOLVE A LIFETIME MORTGAGE OR A HOME REVERSION PLAN.*

*TO UNDERSTAND THE FEATURES AND RISKS, OBTAIN A PERSONALISED ILLUSTRATION FROM A PROFESSIONALLY QUALIFIED ADVISER.*

*EQUITY RELEASE IS NOT RIGHT FOR EVERYONE.*

*IT MAY AFFECT YOUR ENTITLEMENT TO STATE BENEFITS AND WILL REDUCE THE VALUE OF YOUR ESTATE.*

*INFORMATION IS BASED ON OUR CURRENT UNDERSTANDING OF TAXATION LEGISLATION AND REGULATIONS. ANY LEVELS AND BASES OF, AND RELIEFS FROM, TAXATION ARE SUBJECT TO CHANGE.*

## FUNDING THE RETIREMENT YOU HAD PLANNED

If you're a homeowner, you've probably seen the value in your home increase over time. Equity release enables you access to some of this value for you to use however you wish. For example, home improvements, topping up your pension income or a few of life's luxuries. To find out how we could help, please contact us.

*The content of this guide is for your general information and use only, and is not intended to address your particular requirements. The content should not be relied upon in its entirety and shall not be deemed to be, or constitute, advice. Although endeavours have been made to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No individual or company should act upon such information without receiving appropriate professional advice after a thorough examination of their particular situation. We cannot accept responsibility for any loss as a result of acts or omissions taken in respect of the content. Thresholds, percentage rates and tax legislation may change in subsequent Finance Acts. Levels and bases of, and reliefs from, taxation are subject to change and their value depends on the individual circumstances of the investor. The value of your investments can go down as well as up and you may get back less than you invested.*