

A photograph of four hikers with backpacks standing on a grassy hillside, looking out over a vast green valley. The hikers are seen from behind, and the landscape is filled with rolling hills and dense greenery under a clear sky. A large tree with green leaves is visible in the upper right corner of the frame.

Unlocking capital from your home

An impartial guide
to equity release for
older homeowners
and their families.

LVE

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You can get this and other documents from us in Braille or large print or on audio tape by contacting your financial adviser.

About this guide

This guide is designed to be impartial and to help families and their older relatives explore the many different ways of funding a more comfortable lifestyle in retirement or fulfilling their aspirations, whether they want to:

- **Supplement their retirement income.**
- **Raise a capital lump sum.**
- **Enjoy retirement more fully.**

It's not uncommon for people to feel uncomfortable about discussing major financial decisions with their children, or indeed other family members or lifetime friends.

The information in this guide does not constitute financial or legal advice. Anyone considering equity release is strongly advised to seek both independent financial and legal advice.

However, it's important for them to do so, if only to get a second opinion.

Older homeowners should look to those they trust to guide them when making decisions that could not only improve their lifestyle in retirement, but could also reduce what is left to future generations.

This guide looks at:

- **The advantages and disadvantages of each option.**
- **The implications on state benefits and tax.**
- **Where to get further help and advice.**
- **How any decision will affect any inheritance.**

The information given in this guide regarding state benefits, tax and inheritance tax reflects LV= understanding as at 1 July 2010 and may change.

Let's talk money

Talking about money is something of a taboo among the British public, particularly older generations.

If they're struggling to make ends meet, like two million pensioners*, pride often prevents them from telling their children or seeking help from family, other sources and/or the state. Government figures show that up to £5.4 billion in money benefits is failing to reach the pockets of millions of older people each year, yet their families often remain ignorant of this financial predicament.

Many pensioners have spent years making ends meet, watching the pennies and saving for a rainy day. And they're not going to break the habit of a lifetime when they retire. So even though their children may want them to enjoy their golden years, they go without.

Once again, families may be unaware that pensioner parents or other elderly relatives are missing out on the comforts, or even life's basics that they deserve.

Failure to discuss finances can have other implications. Those hoping to leave an inheritance to future generations can see a large chunk of their life savings built up over decades of hard work swallowed up in care home fees or worse, left to the state in inheritance tax.

At the other end of the scale there are the so-called SKlers, as in 'Spending the Kids' Inheritance', who are enjoying their retirement to the full. It may only be when they have passed away that their children and grandchildren discover, sometimes with some resentment, that the inheritance they hoped to receive has significantly diminished.

One of the main complaints made by families of those who have released equity from their homes – usually by taking out a lifetime mortgage against the value of the property – is that they were unaware of their parents' decision... a decision that deprives future generations of some of their inheritance.

* Source: www.guardian.co.uk
January 2010





The options

Many pensioners may not realise that there are a number of options to choose from when trying to increase income in retirement. In this next section, we explore some of the options available, together with some of the advantages and disadvantages.

1. Claiming what's due

Many pensioners may be entitled to more benefits than they are currently receiving.

2. Grants

Grants or other financial assistance – need extra money for house repairs?

There are grant facilities that may be able to help. Please see our 'Where to get further information and advice' section on page 29.

3. Cutting living costs

From assessing outgoing expenditure on a regular basis it's possible to reduce monthly bills.

4. Dip into savings or investments

Today may be that rainy day?

5. Downsizing

Moving to a smaller property could release a sum of money and lead to smaller bills.

6. Ask family or friends

There may be children or other relatives that are financially able to help.

7. Equity release

Releasing equity from your home.

Option 1

Claiming what's due...

Pensioners are entitled to a number of different types of state benefit, not all of them means-tested. So even wealthier retirees can be entitled to some state help. Ensuring a retired parent or relative receives all the benefits to which they are entitled including pension credit, disability living allowance and council tax benefit, is the easiest way to boost retirement income, after all they have contributed to the state all their lives and are entitled to receive these benefits. As much as £4.9billion in pension credit isn't being claimed by those entitled to it every year.*

Advantages

- It costs nothing.
- Some benefit claims can be backdated.
- Even £5 extra a week adds up over a 25 year retirement, that's £6,500 (not including annual increases).
- Many benefits, including attendance allowance and council tax benefit, are not taxable.
- Council tax benefit can reduce the amount of council tax you have to pay. Up to 45% of those pensioners who are eligible, are failing to claim up to £1.5 billion in council tax benefits.**

Disadvantages

- Claiming benefits can be time consuming, complicated, intrusive and there can be penalties if forms are completed incorrectly or fall foul of the rules. The Citizens' Advice Bureau can be a source of assistance in completing these forms and so can the family.

* Source: www.thisismoney.co.uk
September 2009

** Source: Age Concern Key facts
and statistics 2008

Option 2

Grants or other financial assistance

Retired homeowners who need money to pay for essential repairs to their home, may find that there is a grant or other scheme that could help. This can eliminate the need to raise capital from other sources.

Advantages

- Grants not only provide financial assistance. Many schemes also provide approved contractors to do the work, for example, to insulate a loft so elderly homeowners do not have to worry about finding a reputable firm.
- It only takes a phone call or two to find out if a person qualifies. For example, to find out about free loft insulation for those receiving pension credit call the Home Heat Helpline on 0800 33 66 99. More useful numbers are printed on pages 29 and 30 of this booklet.

Disadvantages

- Not everyone qualifies, most grants are means-tested. However some aren't, for example, you may be eligible to £300 towards the provision or replacement of certain heating systems if you live in England and are over 60 regardless of income.*

* Source: www.warmfront.co.uk

Option 3

Cutting living costs

Many retired homeowners already budget carefully, however, as they are less likely to switch home, car and building contents insurers as well as utility and phone suppliers, they could be missing out on around £1,800* of savings a year. It's therefore important to reassess household finances on an annual basis.

Advantages

- It's easy to switch suppliers to save money. Savings can be up to £425 a year on utility bills £220 on telephone, broadband and digital TV costs and £200 on car insurance according to figures from uSwitch (www.uswitch.com/money-saving-tips, June 2010).
- Energy saving measures and the aid of grants can help to cut the average household energy bills. You may be able to claim up to £3,500 with the Warm Front grant** which includes central heating and insulation costs.

* Source: www.uswitch.com

** Source: www.warmfront.co.uk

Disadvantages

- Depending on your circumstances it may not make that much difference to your financial situation.
- For the best deals you will need the Internet, something to which many older homeowners do not have access, but elderly homeowners can always ask their children for help if they are worried about buying online.
- You need to shop around on a regular basis.

For help with claiming benefits or grants and details of utility company switching services see the useful contacts section at the end of this booklet.

Option 4

Dip into savings or investments

Useful for holidays, home improvements or financial emergencies.

Advantages

- Money can generally be taken as and when you need it.
- Savings and investments can be held in schemes such as individual savings accounts (ISAs).
- As your capital reduces, you may be entitled to more help from the state.
- Spending now can mean you do not have to see your hard-earned savings eaten up by care home bills later on.

Disadvantages

- Once the money is spent that's it, as there may be nothing else to fall back on.

Option 5 Downsizing

Selling the family home and moving to a cheaper, smaller property to release a cash lump sum has many benefits for older homeowners.

Advantages

- A substantial amount of capital could be released to fund a much improved retirement.
- The costs of running a smaller home could be substantially lower.
- A smaller home could be easier to manage for an elderly person.
- A lower value property, potentially means less inheritance tax, however this will depend on whether you spend or save the cash lump sum, and how much your estate is worth when you die.

Disadvantages

- The cost of buying and selling, for example, stamp duty, estate agent fees and removal costs, will eat into the capital released.
- The extra capital raised could wipe out or reduce any means-tested benefits.
- To generate an income the money would need to be invested, which could mean a higher tax bill.
- There'll be less of an inheritance to leave future generations.
- A smaller, cheaper property may not be suitable, for example, if it means no spare bedroom or living without a much-loved garden.
- The possible upset of moving away from family and friends.

Option 6

Ask family or friends

Borrowing from children, with the loan repaid when the family home is sold, is usually cheaper than borrowing elsewhere and does not carry the risks associated with equity release.

Advantages

- Family may be willing to help, particularly if it preserves any inheritance.
- They're unlikely to charge interest.



Disadvantages

- Many older homeowners would be reluctant to ask their children for help or hand-outs.
- If the children need the money back, for example should a breadwinner lose his job, the parent may be forced to sell up.
- Many children, even those in their 50's, still have mortgages to pay and children to fund through education or university so do not have any cash to spare.

Option 7

Equity release

With the over 65's owning a collective £500billion of unmortgaged equity in property*, tapping into the capital tied up in their home can be a way to solve the equity-rich/cash-poor problem.

Advantages

- The homeowner can release a substantial amount of capital from their property without having to move out of it.
- Homeowners can continue to live in the property for as long as they wish.
- With many schemes the homeowner continues to benefit from any future rises in property value.
- It can be spent as the homeowner wishes.
- In some cases the homeowner can release extra cash in future years should they need to.
- With some schemes the money can be provided as a monthly income for life.

Disadvantages

- There'll be less, and in some cases no inheritance to leave to family.
- If the homeowner lives a long time, with a lifetime mortgage all the equity in the property could be wiped out (although providers who are a member of Safe Home Income Plans (SHIP) have a no-negative equity guarantee meaning the homeowner or their estate will never owe more than the property value).
- Subject to age and other factors it may only be possible to release around 20% of the property's value, perhaps not enough for the homeowner's financial needs.
- Schemes can be inflexible, for example, should the homeowners want to move to a cheaper property or change their mind. However those providers who are also SHIP (a trade body set up by leading companies in the equity release market) members allow this.
- Schemes may be complex and so can be difficult to understand.
- They can be expensive.
- Releasing cash from your home may reduce your right to state benefits now and in the future.

* Source: www.guardian.co.uk May 2009

What is equity release?

Equity release schemes enable elderly homeowners to release some or all of the equity in their homes whilst continuing to live there for as long as they wish. Rules vary from scheme to scheme but in general the homeowner needs to:

- **Be over a certain age, typically 50-60, depending on provider.**
- **Own a home worth at least £70,000 (depending on the scheme).**
- **Wish to raise at least £10,000 – £20,000.**
- **Be mortgage free (although a small mortgage could be repaid by the equity you release).**
- **Own a freehold property or one with a long lease that is of conventional 'bricks and mortar construction'.**
- **Have a home that's in good repair (although once again equity release could help pay for essential repairs required by the equity release provider).**
- **Have no tenants living in their property or others with rights under the Rent Act 1977.**
- **And, most importantly, want to stay in their home.**

Equity release is a long-term commitment with high penalties charged by some providers for those who wish to repay their lifetime mortgages in the first five or ten years. Some schemes will even charge penalties well beyond ten years. So those planning to move in the next few years, should consider alternative ways to raise additional income or capital.

What are the risks?

Equity release schemes are not risk free, they can be expensive, inflexible and will inevitably leave future generations with less of an inheritance.

Schemes offered by providers who are members of SHIP offer a no-negative equity guarantee (so the amount owed on a lifetime mortgage can never exceed the value of the property) and also provide fixed rates of interest for added protection as well as allowing scheme holders to move house.

Lifetime mortgages and home reversion plans are regulated by the Financial Services Authority.

Who should not consider equity release?

Equity release is not suitable for everyone and may not be the best option for those who:

- **Only need to raise a few thousand pounds, for example, for home improvements.**
- **Have savings/investments that they can dip into instead.**
- **Will only raise a small amount of additional income, which could simply replace means-tested benefits.**
- **Need to raise a large amount of capital, typically an equity release lifetime mortgage will only allow homeowners aged 60 to unlock around 20% of the value of their home.**

Wealth Warning

Releasing equity can affect entitlement to state help. As a result, a retired home-owner may find that equity release leaves them no better off. Any additional income raised, could simply replace means-tested benefits lost.

For example, a single pensioner raising £25,000, could find that they have exceeded the capital limits for claiming some state benefits including council tax benefit and pension credit.

Investing this capital could give an extra income of £1,000 a year, often the same as the amount lost on council tax benefit alone.

Note: The effects of equity release on state benefits is a complex area and much depends on other income the homeowner receives as well as how often their capital and income is assessed. Much also depends on the rules for individual benefits so it's vital for homeowners to seek independent financial advice before making any decision to release equity.



How does equity release work?

There are two main types of equity release scheme:

- **You can either take out a loan against the value of the property. In most cases, these do not usually require any repayments until the property is sold. This is known as a lifetime mortgage.**

Or

- **You can sell all or part of your property known as a home reversion plan in exchange for a lease for life and additional income for life or capital or both.**

Whilst we list some of the benefits and pitfalls on the following pages, this information shouldn't be considered as advice.

These are lifetime mortgages and home reversion plans. To understand the features and risks, you should ask for a personalised illustration.

Lifetime mortgages

These involve taking out a mortgage but with most providers there are usually no mortgage repayments to make. Instead the interest on the amount borrowed is usually added to the outstanding loan. Usually, there are two options; the maximum lump sum advanced at outset, or a series of smaller lump sums depending on your needs. When the property is sold, the total amount owed including this rolled-up interest is then repaid. You, or your estate, then receive the remainder of the sale proceeds.

Benefits

- **Homeowners continue to benefit from any rise in the property's value. If a homeowner borrows £40,000, this debt could grow to almost £80,000 after ten years once interest is added. However, if the value of their £200,000 home were to rise by 20% over the same period, they will see its value rise by £40,000 covering the interest costs. This is on the assumption that house prices continue to rise which is not guaranteed.**
- **As property prices rise or the need arises, homeowners may be able to release more equity in years to come.**

Pitfalls

- **The loan plus interest can grow very quickly.**
- **If property values fall, the percentage of the property value that is accounted for by the lifetime mortgage may rise very quickly.**

Pitfalls (continued)

- You cannot guarantee an inheritance for your children.
- The longer you live, the less equity you own (unless house prices grow more rapidly than the outstanding debt). After ten years, £40,000 borrowed at 7% with a roll-up mortgage (which adds the interest to the outstanding loan) will grow to £78,686. After 20 years interest costs will increase the debt to £154,787.
- If you live a long time, you could potentially end up owing more than the property is worth. However, many schemes now come with a 'no negative equity' guarantee. All equity release plans from members of SHIP offer this safeguard.
- If interest rates fall, you could find your cost of borrowing is uncompetitive. Many schemes offer a fixed rate of interest so if interest rates rise, you'll be protected, and you can see just how much the amount owed will grow over time.
- Does not tend to release a significantly large proportion of the home as a cash sum, when compared to home reversion plans.

Other types of lifetime mortgages

Some lifetime mortgages are also known as income plans or home income plans. The equity released from the property is used to purchase an annuity, which provides an income for life.

Below is an example of how a standard lifetime mortgage could work in practice according to the Financial Services Authority in their leaflet, 'Just the facts about equity release schemes' (April 2009).

You can find out more about this example by visiting www.moneymadeclear.fsa.gov.uk

Example

Fred borrows £45,000 at a fixed 6.5% rate of interest taking out a lifetime mortgage. His interest payments are £243.75 a month and these are added to the amount of the loan. After 15 years, Fred dies and the interest amounts to £43,875. Along with the £45,000 borrowed, the lender is repaid almost £89,000 (as well as any administration charges). Any remaining money from the sale of the property is left as an inheritance for Fred's children.

Home reversion plans

These involve selling all or part of the property to a specialist company in return for an income or lump sum and the right for the homeowner and their spouse or partner to live in the home for as long as they wish.

Benefits

- The homeowner can guarantee a set percentage of the value of the property will be left as an inheritance.
- Homeowners can receive a lump sum or opt for an income guaranteed for life that increases in line with inflation each year.
- Stay in the property for life.
- Generally provides a higher proportion of the property value when compared to other equity release schemes.

Pitfalls

- Homeowners no longer benefit from the full property price growth.
- They no longer own their own home.
- The home cannot be passed on directly to children/grandchildren.



Which type of scheme is best?

More than nine in ten of those releasing equity through specialist schemes opt for lifetime mortgages according to SHIP

However, those in their early 60s and those with lower value properties may find that a lifetime mortgage may not release enough to meet their needs.

Choosing the most suitable scheme will depend on a number of considerations including:

- **How much equity needs to be released.**
- **The value of the property.**
- **What the need is, for example a lump sum or income.**
- **The age of the homeowner.**
- **Attitude to risk.**
- **How much, if any, the homeowner wants to leave as an inheritance.**
- **Whether prepared to give up full ownership of their home.**



Making the decision

To help decide whether equity release is an option, retired homeowners and their families should:

- **Always seek financial advice.**
- **Ensure they get independent legal advice.**
- **Ask for the views of family and any other intended beneficiaries to their will.**

Also read 'Equity release schemes - raising money from your home' – a free leaflet exploring lifetime mortgages and other ways of releasing equity from your home produced by the Financial Services Authority available from www.moneymadeclear.fsa.gov.uk/tools/publications/publications.html or by calling 0300 500 5000.

Getting advice

Look for an adviser with specialist qualifications in this field such as a Certificate in Regulated Equity Release (CeRER) from the IFS School of Finance or the Lifetime Mortgage Activities Exam ER1 from the Chartered Insurance Institute. Visit www.unbiased.co.uk for a list of financial advisers in your area who specialise in equity release. Or go directly to a specialist firm.

Be honest and open

Advisers must delve into all of a retired homeowner's finances and ask questions about their state of health, any debts they may have, their entitlement to state benefits, how they feel about leaving an inheritance and why they are considering equity release.

Many retired homeowners are reluctant to divulge such personal information. However, remember advisers and solicitors are only asking these questions to ensure that equity release is the best solution.

Why the family needs to know

It's important that a family's views are sought when considering equity release.

Many of those taking out equity release schemes are older, and often more frail and vulnerable members of society and they can benefit from having a younger relative to guide them through the process.

Children, in particular, need to understand why their parents are considering equity release. After all, it can be expensive, is not risk free and could mean less of an inheritance for them.

Giving the family an insight into the reasons why equity release is being considered, will also help them to understand their parents' motives.

Those considering equity release tend to fall into two main categories:

- **Pension shortfallers – those needing extra income to supplement their retirement pensions.**
- **Lifestylers – those wanting to release equity to enjoy the better things in life, for example more holidays or a new car etc.**

Equity release may also be used to fund care in the home, for tax and estate planning purposes or to pay for home improvements, amongst other things.

Also, once children are involved in the decision, they may even be able to come up with alternatives – even asking their parents to move in (although perhaps many parents value their independence too much).

The inheritance implications

If your estate that includes your property, your car, jewellery, savings and investments and any significant gifts you have made in the last seven years is worth more than the inheritance tax allowance when you die (the allowance is £325,000 in the 2010–11 tax year) there could be inheritance tax to pay.

Currently inheritance tax is charged at 40% on the value of your estate above £325,000, regardless of your personal tax position.

If you borrow money through an equity release scheme and spend it on something which has no lasting value (like a holiday of a lifetime) straight away, this will reduce the value of your estate for inheritance tax, either reducing or eliminating any tax bill.

However the interest on a lifetime mortgage rolls up over time so, depending on how long you live the amount of interest built up may end up more than the tax bill, so it's not usually a good idea to take out an equity release plan just to cut down the tax bill.

Make sure you get financial advice from an adviser with specialist knowledge of inheritance tax and related tax issues.



Case study

As retirement income continues to be insufficient to maintain an adequate standard of living for many, more and more people are considering lifetime mortgages as a means of enhancing their income and releasing some capital to cover unexpected expenses, while still living in their home.

Mr & Mrs Wilson, both aged 74, took out a drawdown lifetime mortgage against their property which was at the time of application and was valued at £300,000. They released an initial cash lump sum of £30,000 with a guaranteed reserve of a further £60,000 available as and when they required.

The Wilson's have no surviving children and thus were not concerned about retaining equity in their property for inheritance purposes. They had recently incurred some unexpected costs, and were also finding their retirement income was insufficient to allow them to maintain and enjoy using their motorhome. In addition, they were concerned that their car would need to be replaced shortly and wished to upgrade their home computer equipment.

Mr & Mrs Wilson were delighted that their initial loan was released so quickly. They have already earmarked parts of the initial lump sum to ensure they spend the money wisely and aren't tempted to simply 'dip into it'. The capital released has also given them some breathing room in income terms and in fact has allowed them to enjoy an extended holiday in Wales in their motor home.

They placed their trust in their independent financial adviser and were confident that he would find them the best deal. The Wilson's had already done their own research and their accountant put them in touch with a local adviser specialising in equity release.

In summary, Mr & Mrs Wilson are delighted that they took out a drawdown mortgage. They are able to enjoy their retirement and are able to replace costly items when they need to. Releasing equity from their home has given them peace of mind and freedom from financial worry.

This case study is for illustrative purposes only. Anyone considering equity release should always seek independent financial advice.

How much equity can be released?

Equity release lifetime mortgages can unlock only a proportion of the capital locked up in a property.

This can be as little as 20% if a homeowner takes out a lifetime mortgage aged 60. They may have to wait until age 80 to unlock 40% of the property's value.

However, home reversion plan providers can buy the entire property, in exchange for an income or lump sum, but they will still not pay the full market value.

The amount that can be raised depends on the type of scheme:

Lifetime mortgages

The amount that can be released depends on:

- The age of the homeowner and that of their spouse/partner.
- The value of the property.

The older you are, the more that can be borrowed. This is because the younger the homebuyer, the longer they are expected to live and therefore the greater the potential interest bill. Lenders need to ensure that once interest is added year after year, the amount owed does not exceed the property value.

Each provider has different lending limits. As a guide, these are the maximum advances offered by LV= on its lifetime mortgages as at June 2010.

Age of younger applicant	60	61	62	63	64	65	66	67	68	69	70	71
Maximum % of property value	20	21	22	23	24	25	26	27	28	29	30	31

Age of younger applicant	72	73	74	75	76	77	78	79	80	81	82	83
Maximum % of property value	32	33	34	35	36	37	38	39	40	41	42	43

Age of younger applicant	84	85	86	87	88	89	90	91	92	93	94	95
Maximum % of property value	44	45	46	47	48	49	50	50	50	50	50	50

For properties valued at £1.5 million or over, the maximum % will be lower than shown.

For example:

Mrs Stephens, 76, owns a property valued at £200,000. The maximum lifetime mortgage for a homeowner of her age is 36% of the value or £72,000. However, she decides to borrow £30,000, enough to enjoy a few more holidays and to help her granddaughter Hannah through university.

Home reversion plans

The amount that can be released depends on a number of factors including:

- **The age of the homeowner and that of their spouse/partner.**
- **Gender (women have a longer life expectancy).**
- **State of health (again, this could affect life expectancy and the amount of money available).**
- **The value of the property.**
- **In the case of a scheme which releases an income, whether or not the homeowner wants their income to track house price inflation.**

Homeowners will sell all or part of the value of their home to a reversion company but, in most cases, will not receive the full value of the proportion of the property, which they have sold. For example, those converting 80% of the property may only receive 40% of its market value.

As each homeowner will have an individual set of circumstances there is no set formula for calculating the amount that can be raised.

If the equity release provider calculates that in all probability it will have to wait a long time before getting its money back (remember, it is advancing money with no immediate return), it will offer a lower amount. Those who are older and in poor health and therefore have a shorter life expectancy, will probably be offered more for selling the same stake in their home.

These examples show how much equity could be released:

Example 1

Mrs Jones, 75, owns a £600,000 property but needs to boost her retirement income. She wants to leave 50% of the property as an inheritance to her only son. She opts for a home reversion plan and in exchange for releasing 50% of her home she enjoys a guaranteed fixed income of £1,500 before tax each month for life.

Example 2

Mr and Mrs Smith, a 73-year-old couple whose home has been valued at £150,000, want to release 50% of this to a reversion company and retain 50% to leave as inheritance. They receive around £33,000, or 22% of their home's value.

The examples shown are not actual cases and are for illustration purposes only. Always seek independent financial and legal advice.

What should you do next?

This guide is not a substitute for financial advice. However, we hope you have found it useful in deciding whether you want to seek more information about equity release.

If you do, follow this six point plan:

Step 1

Consider all the alternatives. Are there any other ways of raising income or capital that do not involve losing some of the equity in your home?

Step 2

Discuss equity release with your family and any intended beneficiaries to your will. This guide will help you broach the subject with them.

Step 3

If you then decide that equity release may be an option, speak to a financial adviser who can tell you how equity release could work for you and the implications on tax, benefits and inheritance. Whilst with the adviser be sure to ask for a personalised illustration.

Step 4

Speak to a solicitor who can explain the legal implications and also arrange the legal paperwork.

Step 5

Once your adviser has identified the right type of scheme and the best provider, your home will be valued and you will be sent an offer detailing exactly how much equity you can release/how much income you will receive.

Step 6

Only if you are satisfied with all these details should you agree to take out an equity release scheme. Once you have signed the required documentation you will receive your money.



Your questions answered

Q. I am in my 60s, why can I release only a small percentage of my property's value?

A. If you take out a lifetime mortgage, the longer you live, the larger your outstanding debt. This is because interest is added to your loan rather than repaid. As a general rule of thumb, your mortgage debt could double every ten years. To reduce the risk that the amount owed exceeds the value of your property, lifetime mortgage providers, who need to be sure that their mortgage is repaid, restrict the amount that can be borrowed.

If you are considering a home reversion plan, the provider is advancing you money with no immediate return. The longer you are expected to live, the longer the equity release company potentially has to wait before getting its money back. So the younger you are, the less income or capital you will receive.

Q. Should I release the maximum I am allowed?

A. Only if you need the money. Remember it will cost you more to release more equity. Do not be tempted to take out money to invest as this carries a high risk. If you think you may need more money in future, opt for a plan that allows you to release more equity at a later date, for example, a plan with a drawdown facility or one which allows regular further advances – possibly when house prices have increased further and the plan rules allow you (as an older homeowner) to release a greater percentage of your equity.

Q. Will I still own my home?

A. You will, if you take out a lifetime mortgage. However, with a home reversion plan, you no longer own the property, although you will have a right to live in it for as long as you wish. A plan from a provider who is a member of SHIP will give you greater protection as SHIP rules specifically state that customers have the right to remain in the property for life.

Q. What if I want to move?

A. Equity release plans are long-term commitments and you should not consider one if you think you may move in the near future. However, should you decide to move, you should be able to take your lifetime mortgage with you to a new property or even if you move to sheltered housing (subject to the property being suitable). SHIP members will allow you to move to a smaller property as long as it meets the provider's criteria. However if you move to a cheaper property and have to repay a part of the loan you may find you face a financial penalty (note: all SHIP plans will not impose any penalties for having to repay part of the loan early due to moving to a lower value property).

If you take out a home reversion plan (which provides a regular income), your income will continue to be paid to you if you choose to move house.

Please note that you will have to meet the actual costs of moving home.

Q. What happens if I die or need to move into long-term care?

A. If you are married and have a joint-lifetime mortgage, your spouse can continue to live in the property for as long as he or she wishes. Once the property is sold, the lifetime mortgage and any accrued interest is repaid. This must usually be within 12 months in the event of death to allow enough time to sell the property.

If you have taken out a home reversion plan, which pays a regular income, your income will continue to be paid to you if you move into long-term care, or to your spouse if you have a joint plan and pass away, for the rest of your/their life.

Q. What if I change my mind?

A. Equity release is a long-term commitment and that is why you should investigate all alternatives fully before making up your mind. With a home reversion plan there is normally no going back. With a lifetime mortgage you can repay the amount at any time but there could be early repayment charges to pay in the first five or ten years or even longer with some plans. The amount you need to repay will include the original amount which was borrowed and the interest which has built up.

Q. Can I still leave my property to my children?

A. You can leave the unmortgaged equity to your heirs as an inheritance. The amount will depend on how much equity is left on repayment of the lifetime mortgage after interest is added to the loan. With a home reversion plan, you can decide at the outset the percentage of the property value you wish to retain or leave as an inheritance. This percentage is fixed, however, the monetary value is dependant on the property value when it is eventually sold.

Q. What happens if I live with someone else?

A. If you are married or in a civil partnership and are both eligible by age you can take out a joint plan. The same applies if you are living with someone as a partner. Your spouse or partner will then have the right to live in the property for as long as they wish, should you pass away or move into long-term care. If you have a friend or tenant living in your home, the equity release provider will want to make sure that they have no rights to continue to live there once you move out or pass away.

Where to get further information and advice

How do I find out alternative ways of increasing retirement income?

Age UK (merger of Age Concern and Help the Aged) for advice about entitlement to state benefits and free information sheets including equity release plans:

- Factsheet 65 - Equity release.
- Factsheet 13 - Funding repairs, improvements and adaptations.

Call 0800 169 6565 or visit www.ageuk.org.uk

Citizens Advice Bureau for help sorting out debt problems and advice on state benefits. Look in the local telephone directory under 'Citizens Advice Bureau'.

Website: www.citizensadvice.org.uk and www.adviceguide.org.uk

Council of Mortgage Lenders (CML)

the trade association for mortgage lenders. Bush House, North West Wing, Aldwych, London WC2 4PJ.

Tel: 0845 373 6771 (main switchboard)
Website: www.cml.org.uk

Counsel and Care for advice about entitlement to state benefits and charities that can give financial help with unexpected expenses. Call 0845 300 7585 or visit www.counselandcare.org.uk

Department for Work and Pensions

for information about state benefits call:

- The pension credit helpline on 0800 99 1234.
- The benefit enquiry Line for those with disabilities on 0800 88 22 00 or visit www.direct.gov.uk
- Attendance allowance helpline on 0845 712 3456 or visit www.direct.gov.uk
- Directgov for information on pensions on 0800 678 1132 or visit www.direct.gov.uk/betterfuture
- Winter Fuel Payment helpline on 0845 915 1515.

Home Heat Helpline for details of free central heating installation for those in receipt of pension credit (normally £300 toward the cost for all others) as well as home insulation. Call 0800 336 699 or visit www.homeheathelpline.org.uk

Home Improvement Agencies provide help in arranging home improvements and give advice on the financial help available:

- **England – Call Foundations on 08458 645 210 or visit www.foundations.uk.com**
- **Scotland – Call the Care and Repair Forum on 0141 221 9879 or visit www.careandrepairsotland.co.uk**
- **Wales – Call Care and Repair Cymru on 0292 057 6286 or visit www.careandrepair.org.uk**
- **Northern Ireland – Call Fold Housing (Staying Put Department) on 02890 428 167 or visit www.foldgroup.co.uk**

The Financial Services Authority

publishes the following free guides:

- **FSA factsheet: Paying for long-term care.**
- **FSA guide to financial advice.**
- **Equity Release schemes raising money from your home.**

Call the FSA Money made clear helpline on

0800 500 5000 or visit www.moneymadeclear.fsa.gov.uk/tools/publications/publications.html

The Home Improvement Trust a not-for-profit organisation, arranges equity release schemes specifically to fund repairs, improvements or adaptations to your home. Call 0800 783 7869 or visit www.hitrust.org

Warm Front and related schemes offer grants for people aged 60 or more and on a low income, or disabled, to insulate their home or to install energy-efficient central heating. Call 0800 316 2805 in England, in Scotland call the Energy Assistance Package on 0800 512 012, in Wales the Home Energy Efficiency Scheme is on 0800 316 2815 and in Northern Ireland the scheme is known as Warm Homes contactable on 0800 988 0559. For all other benefit enquiries contact your local Job Centre Plus, apart from council tax benefit which is dealt with by your local council.

Switch your utility and household bills online to save money at these websites:

www.uswitch.com
www.simplyswitch.com
www.ukpower.co.uk
www.buy.co.uk
www.ukenergy.co.uk

or type in 'utility bills' to your search engine.

How do I find out more about equity release schemes?

- **Age Concern publishes Factsheet 65: Equity Release.**
- **The Financial Services Authority publishes: Equity release schemes - raising money from your home – a free leaflet exploring lifetime mortgages and other ways of releasing equity from your home.**

How do I find someone to help and advise me?

To find a financial adviser:

Visit www.unbiased.co.uk

Check out the Matrix Data UK IFA Directory at www.mylocaladviser.co.uk

To find an equity release provider:

Contact Safe Home Income Plans (SHIP) on 0844 669 7085 or visit www.ship-ltd.org

To find a solicitor contact:

The Law Society (England and Wales) on 0207 242 1222 (general enquiries) or www.lawsoc.org.uk

The Law Society of Scotland on 0131 226 7411 or www.lawscot.org.uk

The Law Society of Northern Ireland on 0289 023 1614 or www.lawsoc-ni.org

Complaints about lifetime mortgages

If you have a complaint about your lifetime mortgage which cannot be resolved, you can refer the matter to:

Financial Ombudsman Service, South Quay Plaza, 183 Marsh Wall. London E14 9SR.

Tel:
0300 123 9123

Email:
complaint.info@financial-ombudsman.org.uk

Website:
www.financial-ombudsman.org.uk





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