

Equity Release

The information on this website is for general guidance and is not financial advice. If you need more information or personal advice, please contact an Independent Financial Adviser. For more information please read [Getting Advice About Your Finances](#)

As you get older, you may find that your income is no longer meeting your needs. Equity Release is one of the options you may be thinking of to use some of the money that is tied up in your property. There are many other ways that you could try to maximise your income;

- [Check that you are receiving all of the benefits that you are entitled to](#)
 - [You may want to consider moving to a smaller house](#)
 - [Help is available to manage your money or debt](#)
-

What is Equity Release?

Many older people find that the value of their home has risen substantially over the years, but they may be struggling on a low income and limited savings. Using the value of your home to supplement your income is becoming a popular way of boosting your finances. This is known as equity release.

You borrow money on the value of your home and then receive regular payments or a lump sum. This loan must be repaid at some point. The value of your loan is usually reclaimed after you die from your home.

More information is available www.ageuk.org.uk

Am I eligible for Equity release?

To be eligible you usually need to meet some conditions, but these vary from company to company. For example;

- You may need to be aged 60 years old before taking out a plan. (Some companies will accept people over 55 or some require you to be 65 or 70.)
- Be the home owner and your mortgage should be paid off. (Some companies will clear a very small outstanding mortgage as part of their scheme.)
- Your property may have to be worth a minimum amount.
- Your property must be in a reasonable state of repair.

- There may be a minimum amount of money that you have to borrow.
 - There should be no tenants living with you who have rights under the Rent Act.
-

Types of equity release schemes

1. Lifetime mortgages

This type of scheme involves borrowing money from a bank or building society and giving them a mortgage over your home. You usually retain ownership of your home and then repay your loan at a later date from the value of your home. There are several ways of doing this:

Home income plans

With a home income plan, you still own your home, but take out a mortgage against it. The money is used to buy an annuity, which will pay you a regular monthly income for life. The interest payments are deducted from this monthly income and the amount borrowed is repaid when your home is sold, usually after you die. If you live with a partner, you will need to take out the home income plan in joint names. Since March 1999, home income plans are no longer eligible for tax relief. These plans are more suitable for people aged over 80, as the annuity will be higher due to shorter life expectancy.

Roll-up loans

This involves taking out a loan against the value of your home. The lender will give you a lump sum or a monthly income (or both). You do not have to make any repayments of interest or capital until you sell your home. Instead, the interest is 'rolled up' and added to the total loan. This can be risky, as the amount that you owe can increase quite rapidly and you could end up owing more than the value of your property. Some plans do guarantee that this will not happen, which is sometimes known as a 'no negative equity' guarantee.

Interest only loans

This means that you take out a loan against the value of your property and will receive a lump sum on which you will have to make interest payments. The loan itself does not have to be repaid until your home is sold, usually after you die.

Fixed repayment loan

With a fixed repayment loan, you take out a loan that is secured on your home. You will agree with the lender on the final amount that you will owe when your home is sold and this will not change regardless of how long the mortgage lasts. The amount owed will be substantially higher than the amount you borrow. With a fixed repayment loan, you will not pay interest.

2. Home reversion schemes

With this type of scheme you sell all, or a proportion of, your home to a reversion company. You will continue to live in the property rent-free, or for a nominal monthly rent for the rest of your life

and will receive a lump sum or a regular monthly income. When the property is sold, the reversion company receives the proceeds from the sale, depending on the share that was sold to them. The remaining amount will go to your estate. The amount that you will receive from the reversion company will be less than the market value of your property. If you live with a partner, the scheme would need to be taken out in joint names.

For more detailed information on any of the above schemes visit www.ageuk.org.uk

Things to consider before taking out Equity Release

- **Family:** By using an equity release scheme, you are reducing the amount that will be left to your estate when you die. Although this is a good way of cutting inheritance tax, you may wish to discuss it with your family before going ahead.
 - **Benefits:** By taking out an equity release plan you will be increasing your income or receiving a lump sum. This may impact upon any income-related benefits that you receive, such as Pension Credit or Council Tax Benefit. For further information read Age UK's factsheet [Equity release](#).
 - **Is it the right option for you?** Check that your chosen equity release plan will meet your needs.
 - **Financial Advice:** [Seek independence financial advice](#) before taking out an equity release plan.
-

Other alternatives to Equity Release

Raising income or a lump sum from your home is not the only option available if you are finding it difficult to manage on your current income.

- **Benefits:** Have your benefits checked to make sure that you are receiving everything that you are entitled to – this could significantly increase your income. See our section on [Benefits](#).
- **Debt:** If you are struggling with debt, there are ways to manage this and organisations that can help you. Read [Dealing with debt](#).
- **Budget:** Creating a budget can help you to [Manage your Money](#)
- **Downsize:** You could also consider moving to a smaller, less expensive property. Read [Thinking of moving home?](#)
- **Repair or adapt your home:** If you need the money to pay for repairs or adaptations to your home, you may be eligible for a grant. Read [Help with the cost of maintenance and repairs](#) and [How to pay for adaptations to your home](#).

- **Legal issues:** You may need to revise your [Will](#) and create a [Power of Attorney](#)
-

Choosing a lender or adviser

[Financial Conduct Authority \(FCA\)](#) regulate Equity release providers. This means that you are protected if you are given bad advice, or if the company goes out of business. To find an authorised provider visit the [Financial Services Register](#).

[Equity Release Council](#) work to make equity release products safe and accessible for consumers. They have a Statement of Principles which puts in place a number of safeguards and guarantees for consumers. Members of the council sign up to these principles. You can search their members directory online.

Other useful information

[Society of Later Life Advisers \(SOLLA\)](#) assists older people and their families to find trusted accredited financial advisers who, understand financial needs in Later Life. The Later Life Advisers can advise on

- Equity release
- Long term and respite care options
- Annuities
- Investments and savings
- Tax planning (IHT)

Last updated: March 12, 2021

Useful Organisations

Financial Conduct Authority (FCA)

Email: consumer.queries@fca.org.uk

Website: www.fca.org.uk

Telephone: 0800 111 6768

Address: 25 The North Colonnade, E14 5HS

Equity Release Council

Website: www.equityreleasecouncil.com

Telephone: 0300 012 0239

Address: The Old Rectory, NN6 8SN

Society of Later Life Advisers (SOLLA)

Email: admin@societyoflaterlifeadvisers.co.uk

Website: www.societyoflaterlifeadvisers.co.uk

Telephone: 0333 2020 454

Address: PO Box 590, ME10 9EW

Financial Services Register

Website: <http://www.fsa.gov.uk/register/home.do>

Telephone: 0333 2020 454

Related Articles

[Council Tax Support](#)

[Pension Credit](#)

[Wills](#)

[Lasting Power of Attorney and Deputyship](#)

[Dealing with debt](#)

[Pensions](#)

[Savings and Investments](#)

[Getting advice about your finances](#)

[Help with energy problems and how to pay for them](#)

[Housing for older people](#)

[Practical help to move home](#)

[Managing your money](#)

[Energy saving tips](#)

[Affordable Credit](#)