

IS EQUITY RELEASE RIGHT FOR YOU?

EXPERT IDEAS FROM LOCAL ADVISER, CHRIS FRENCH

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The number of people releasing equity from their homes has risen substantially over the last few years.

There are a number of great reasons why this is such a popular option.

Whether you want to ease your retirement, improve your home or go on the trip of a lifetime, it is crucial to understand whether this is right for you and the impact this may have on your future.

This guide will set out how equity release may work for you and the different things you and your family will need to consider to establish if this is the best option.

Chris French of Mid Sussex Mortgages, is a specialist whole of market adviser on equity release products.

Based in Burgess Hill, Sussex, he can advise you at your home, where you work, over the phone or by e-mail, all on a fixed fee basis.



WHAT IS EQUITY RELEASE?

Equity release is a way of accessing some of the equity in your home so you can use it to help fund your lifestyle as you grow older.



The proceeds can be paid to you as a lump sum or in a number of smaller payments spread over time or a combination of both.

It is an increasingly popular alternative to selling your home and downsizing.



By releasing equity in your home you will either be borrowing against the value of your home or selling all or part of it in exchange for a lump sum or a regular monthly income.

Different products will offer different features and flexibility such as the option to release more equity at a future date if you need to.

For older customers who either own their property outright, or have relatively small mortgages left to pay, this can open up a number of opportunities that would otherwise not be available.



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CALL CHRIS FRENCH TODAY ON 0800 1777 144

WHAT TYPES OF EQUITY RELEASE PLANS ARE AVAILABLE?

There are **two** types of equity release plan to consider: A **Lifetime Mortgage** or a **Home Reversion Plan**.

This is the main difference between them: A **Lifetime Mortgage** is a loan, secured on your home like a traditional mortgage, where you still retain ownership of your property but you are liable for interest payments for the life of the loan.

Taking out a **Home Reversion Plan** means actually selling all or part of your home to your plan provider. So, whilst you no longer retain ownership, you are not liable for any interest payments.

Both types of scheme entitle you to continue living in your property for the rest of your life or until you have to go into long-term care.

Different personal circumstances will suit different schemes and taking advice from a qualified professional specialist is essential to make sure your choice is appropriate for your personal situation.

Lifetime Mortgages are currently the most popular option for people using equity release and the interest on the mortgage can either be repaid or allowed to accumulate or “roll up” over the life of the loan.

If the interest is allowed to roll up then you won't have to make any repayments in your lifetime.

The outstanding amount of the loan and the interest must be repaid upon your death or when you move into long-term care. This is likely to be achieved by the sale of your home.

There is a lot of flexibility with most of these plans so you can ring fence some of the value of your home for later use or as your inheritance if you wish.

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WHICH PLAN IS RIGHT FOR ME?

A specialist adviser will be worth their weight in gold and it is worth consulting one as early as possible when you are considering the best way forward with equity release.

Here are some of the features of the different types of plan that you will need to think about:

Lifetime Mortgages

- The minimum age you can apply is usually 55.
- The maximum you can borrow is usually 60% of the value of your home.
- The amount you can borrow will also depend on your medical history and is likely to increase, as you get older.
- The interest rate must be fixed or subject to a cap or upper limit which is fixed for the life of the loan.

Home Reversion Plans

- The proportion of your home that you decide to sell to your Home Reversion Plan provider will usually be valued at between 20% and 60% of the open market value.
- The proportion of the market value you receive is likely to increase, as you get older.
- Minimum age restrictions will vary depending on the provider but are usually at least 60 or 65.

Both **Lifetime Mortgages** and **Home Reversion Plans** usually have these features:

- A “no negative equity guarantee” ensuring that when your property is sold, if the proceeds are not enough to cover the outstanding loan, neither you or your estate can be asked to pay more.
- You have the right to move to another property as long as your new property is considered to be acceptable security for your equity release loan by your plan provider.

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EQUITY RELEASE: KEY CONSIDERATIONS

The importance of taking specialist independent advice cannot be over emphasised.

Whilst these schemes can be life enhancing and enable you to do things that otherwise would not be a option, they can be difficult to unravel if you change your mind at a later date and want to take a different course of action.

Here are just a few of the considerations you should work through with an independent equity release adviser:

- Have a full and frank discussion about all the fees involved such as legal fees, set up costs and valuation fees. These will vary depending on the plan you are opting for.
- You may wish to consult your family: If you let the interest accrue or “roll up” over the life of the plan this will reduce the size of your inheritance further. For this reason taking out an equity release plan often becomes a family decision.
- The interest rate that gets charged on an equity release plan is likely to be higher than a conventional mortgage but it will probably be fixed for the life of the contract.
- What other plans do you have in place to pay for your requirements in later life? If you release equity from your home now, you may not be able to release more funds later to pay for long-term care, for example. Or if you want to move to a smaller home at a later date, you may not have enough equity in your home to do this so you could have to repay some of your Lifetime Mortgage.
- It is also important to consider how money you receive from your equity release scheme might impact your entitlement to means tested benefits.

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GETTING ADVICE.

If equity release is the right option for you then a professional adviser will be able to recommend a plan that is appropriate for your circumstances, after a full review of everything you want to achieve.



Equity release is a highly regulated field and a specialist adviser must be on the Financial Conduct Authority register and signed up to the Financial Ombudsman Service. Your adviser should also be in the Equity Release Council member directory and abide by this trade body's strict rules and standards.

Working with a specialist independent adviser should make this complex field straightforward and give you the necessary reassurance that you are taking out the right plan to suit your individual circumstances so you can look forward to your future with confidence.

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If you want help and guidance with equity release call us today on **0800 1777 144** and we'll be more than happy to help.



Mid Sussex Mortgages Ltd. registered office is at 14, Firtoft Close, Burgess Hill, Sussex RH15 8EE and is an appointed representative of HL Partnership Ltd which is authorised and regulated by the Financial Conduct Authority.

Equity release includes Lifetime Mortgages and Home Reversion Schemes.

We can advise and arrange Lifetime Mortgages and will refer to an approved specialist for Home Reversion schemes.