A Guide to
Equity Release

SOLLA
Society of Later Life Advisers
ACCREDITED

Proud to be a Member of the
Equity Release Council

CAPITAL
FINANCIAL SERVICES
Making the most of your assets

An introduction to **equity release**

This guide is an impartial, plain-English introduction to everything you need to know about equity release – unlocking cash from the equity built up in your home.

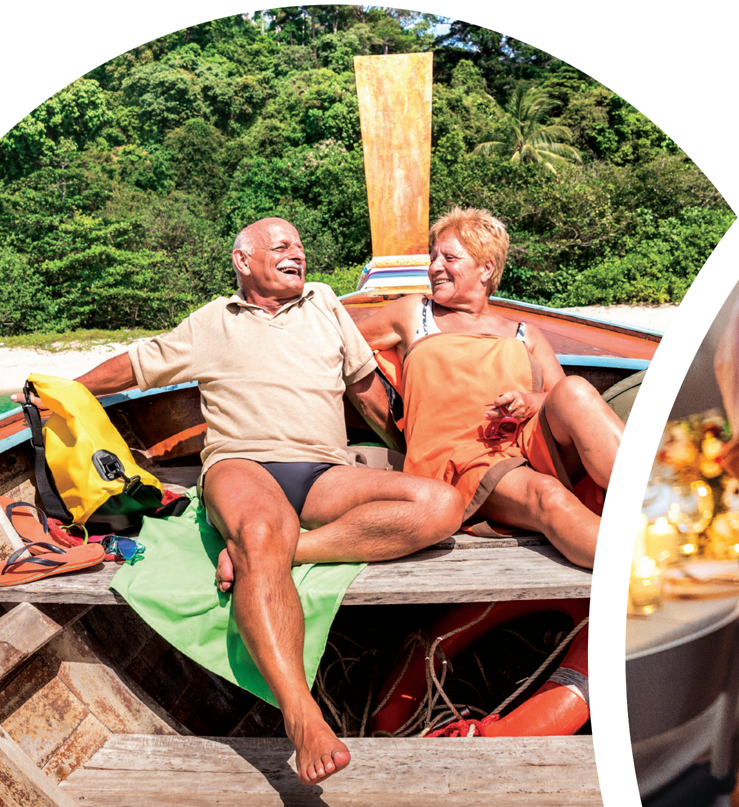
In this guide, we explain the different types of equity release plans available, as well as taking into consideration alternative financial options and any potential impact on your current financial circumstances, allowing you to make an informed decision over whether equity release is the right option for you.

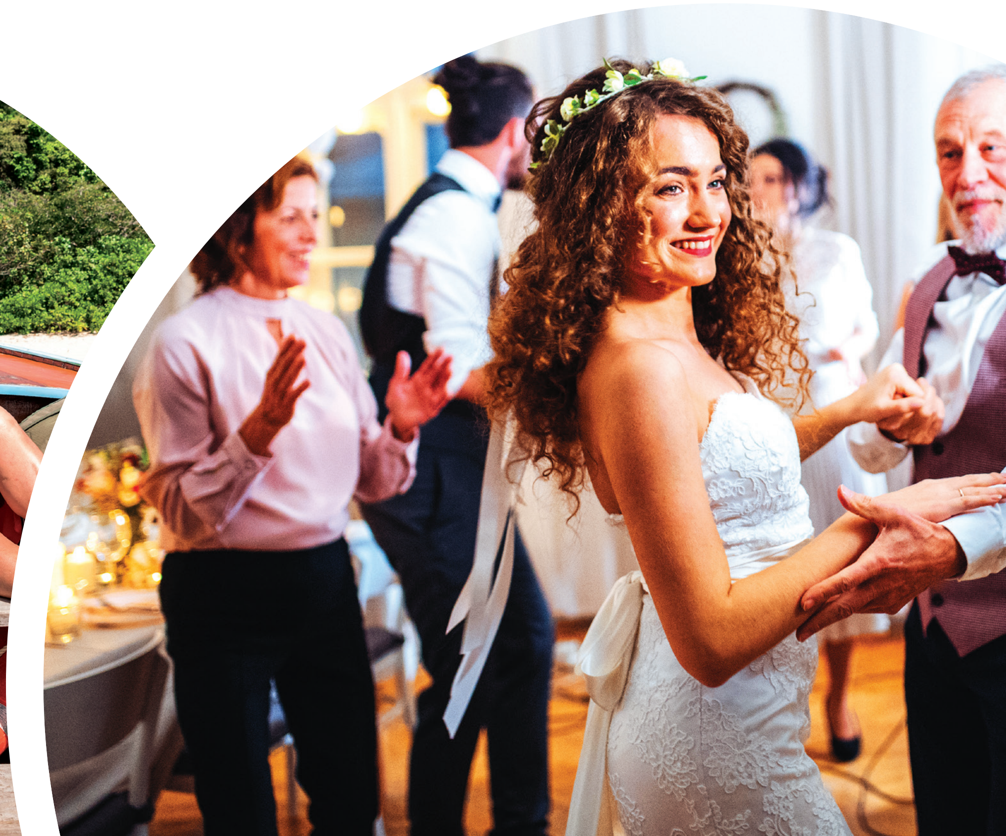
With many years' experience, our specialist equity release advisers have helped plenty of people release money from properties large and small.

Please feel free to share this guide with family and friends, knowing you can speak to one of our friendly advisers for no obligation, impartial and independent advice at any time should you have any questions. When the time is right we'll guide you step-by-step through the entire process, leaving you to enjoy your released funds however you wish.

EQUITY RELEASE MAY REQUIRE A LIFETIME MORTGAGE OR HOME REVERSION PLAN. TO UNDERSTAND THE FEATURES AND RISKS, ASK FOR A PERSONALISED ILLUSTRATION.

A MORTGAGE IS A LOAN SECURED AGAINST YOUR HOME. YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE.





What is **equity release?**

An equity release plan allows homeowners aged 55 or older to free up some of the equity locked in the value of their home.

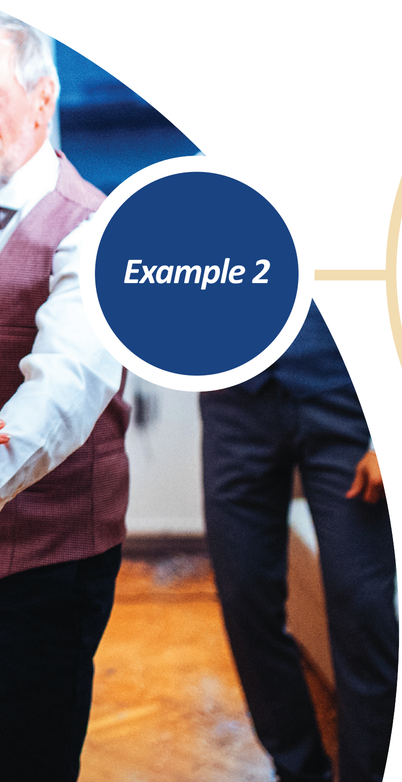
'Equity' is the difference between the value of your property and any outstanding loans (such as a mortgage) secured against it.

You can take any equity released as either a one-off lump sum or withdraw it in instalments; we'll explain the difference later in this guide. In either case you can spend the released funds on whatever you choose.

Example 1

*Your home is worth **£175,000** and you've paid off all secured loans against the property, including the mortgage.*

*Your equity is **£175,000***



Example 2

*You borrowed **£100,000** to buy your house for **£150,000**. The value of the house has since risen to **£250,000** and the mortgage remaining is **£20,000**.*

*Your equity is **£230,000***

How can **equity release help** you?

Here are some of the popular reasons for taking out an equity release plan.

Improvements to your home, such as kitchens and bathrooms, extensions and conservatories.

Holidays, family gatherings, foreign travel, cruises or tours.

To clear secured loans, the mortgage or unsecured debts like credit or store cards.

Purchases of significant items, for example motorhomes, cars or even holiday homes.

Increasing costs of living, longer life expectancy or less than expected pension provisions are just some of the reasons more people than ever are choosing equity release.

And with more providers offering attractive plans with greater flexibility, equity release has become a go-to solution for many individuals and their families.

Ultimately people use it so they can improve their quality of life.

Improve day-to-day funding and/or enable early retirement.

Potential reduction in inheritance tax liability.

Helping children or other relatives with deposits to buy their own homes.

Treating the family.

TAX TREATMENT IS BASED ON INDIVIDUAL CIRCUMSTANCES AND MAY BE SUBJECT TO CHANGE IN THE FUTURE.

THE FINANCIAL CONDUCT AUTHORITY DOES NOT REGULATE INHERITANCE TAX PLANNING.

THINK CAREFULLY BEFORE SECURING OTHER DEBTS AGAINST YOUR HOME.

The basic rules of **equity release**

There are a number of providers offering an array of equity release plans, all with their own specific eligibility criteria. However, there are some general rules that normally apply:

- The youngest applicant (homeowner) must be 55 or older.
- Your property is valued at a minimum of £70,000.
- The property in question is in England, Scotland, Wales or Northern Ireland (not Isle of Man or Channel Islands).
- For leasehold properties, the minimum time remaining on the lease is 75 years (if less it may be possible to extend your lease).
- Any mortgage or loan secured against your property must be cleared on completion.
- In most cases, if your property was purchased from the local authority, it is no longer within the discount period.

Properties where equity release may be more difficult to arrange, depending on the circumstances:

- Freehold flats (except in Scotland).
- Those with commercial or business uses.
- Over or adjacent to commercial properties.

Properties where equity release is typically unsuitable:

- Mobile style homes, including those on parks.
- Houseboats.
- Those with agricultural or forestry ties.

If you're unsure whether your property is suitable for equity release, you can call Colin Baldock on **01923 842 282.**

Did you know?

If your property has a tenant living in it, or you share with a carer or younger relative, you may still qualify for equity release.

Is it the **right choice for you?**

Equity release is the perfect solution for many people; however, it's not the only option and is not always right for everyone.

If there are any family or friends who may be impacted by this decision, please use this guide to help you make an informed choice.

Ensure that before you come to any decision you:

- Understand how equity release works.
- Understand the risks, as well as any benefits.
- Have considered all alternatives.
- Have taken specialist advice from an equity release expert.

The value of specialist advice

Equity release is a specialist area requiring qualified advice. To advise you regarding equity release, advisers must have specific qualifications and undertake ongoing professional training.

Take advantage of their up-to-date knowledge of the marketplace, the various plans available and the regulatory landscape. All of which can be tailored to match your own circumstances.

Choosing the wrong plan or route forward could mean you miss out on thousands of pounds you might otherwise be entitled to. As we're qualified equity release professionals, you can rest assured that your needs are being addressed by experts.

To find out more, simply call Colin:

01923 842 282

How to take out an **equity release plan**

STEP 1

Call Colin on **01923 842 282** who is a fully qualified equity release adviser. Find out about equity release and whether it's right for your personal circumstances.

STEP 2

Our experts will discuss your aims, objectives and personal circumstances with you and then research the market for the best plan for your specific needs.

STEP 6

A valuer will make an independent valuation of your property, and this will be used by the provider for your equity release offer.

STEP 7

Appoint a solicitor. This can be one of your choosing or a recommended ERSA equity release specialist from our panel.

STEP 8

The money is paid either by cheque or straight into your account typically 6-8 weeks later, (as is detailed in our report) and those of the provider and solicitor.

THE FINANCIAL CONDUCT AUTHORITY DOES NOT REGULATE LEGAL SERVICES.

STEP 3

We'll produce and send you a personalised recommendation, in which we'll detail the plan we think suits you best and the reasons why. Our adviser will talk you through the report and be able to answer any questions.

STEP 4

Time for you to sit back and consider your decision, ideally with friends and family who may be affected. You are not committed to proceed at this point and you have not incurred any cost.

STEP 5

Should you wish to proceed with the plan, let us know and we'll guide you through the next steps.

STEP 9

***Time to enjoy** the money you have unlocked from your home!*

To find out more, simply call Colin:

01923 842 282

The different plan types - at a glance

Fundamentally, all equity release plans are designed to do a similar job - release cash tied-up in your property.

There are different types of plans that go about this in different ways. Here we take a look at the differences between types of plans and some examples of how they work.

Please note: *The examples provided are for illustration purposes only.*

The interest rates available will depend on your personal circumstances at the time. The value of your home can go down as well as up. To understand the features and risks ask for a personalised illustration.

LIFETIME MORTGAGE: ROLL-UP LUMP SUM

This is a mortgage where you do not have to make any monthly repayments of the loan or the interest. Interest is added to the loan and becomes payable at the end of the plan.

FEATURES

- Paid off when you die, move into long-term care or sell the house.
- You mortgage your property.
- No repayment date.
- No negative equity.
- Loan increases each year.

ADVANTAGES

- You still own the property.
- No monthly payments.
- You can move to another property.
- Regulated by the FCA.
- Receive a lump sum payment.

DISADVANTAGES

- You must pay off any outstanding secured loans.
- The amount left to beneficiaries will be reduced.
- There may be charges for early repayment.
- You may lose entitlement to means-tested benefits.

CASE STUDY

Mr Harrison is 70. He sadly lost his wife a few years ago and has since lived alone in their home in Kent, worth **£750,000** with no outstanding mortgage. He has both a private pension and a state pension but is finding it hard to maintain his lifestyle on the income this provides. He has considered downsizing but he's decided that he's not ready to move from his home just yet.

To help subsidise his pensions, Mr Harrison would like to release some of the equity in his property and he's worked out that he would need to release a **£30,000** lump sum to make life a little easier in retirement.

Ideally, he does not want to make any repayments; instead repaying the loan and any interest incurred when his property is sold. As he's unsure about when he will sell his home, the plan he has chosen offers downsizing protection, which allows you to downsize and repay your equity release plan in full without incurring any early repayment charges.

LIFETIME MORTGAGE: ROLL-UP DRAWDOWN

This is like the roll-up lump sum, except you only take portions of the loan as and when you need them and interest only applies against the money once you have drawn it.

FEATURES

- Paid off when you die, move into long-term care or sell the house.
- You have a borrowing facility.
- You draw down cash lump sums when needed.
- Available from age 55.
- You mortgage your property.
- No repayment date.
- No negative equity.
- Loan increases each year.

ADVANTAGES

- You still own the property.
- No monthly payments.
- You can move to another property.
- Regulated by the FCA.
- Receive an initial lump sum payment.
- Flexibly draw further amounts when needed.
- Interest-only accumulates on sums drawn down.

DISADVANTAGES

- You must pay off any outstanding secured loans.
- The amount left to beneficiaries will be reduced.
- There may be charges for early repayment.
- You may lose entitlement to means-tested benefits.

CASE STUDY

Ms Green is 65 and has a detached property worth **£200,000**. She is approaching retirement and doesn't have a vast amount of money saved, so is looking at how best to top up her pension savings, whilst also going on a dream Caribbean cruise.

Ms Green has decided that she will need to release **£15,000** to meet her initial objectives with a further **£5,000** to be held in reserve for the future. A roll-up drawdown lifetime mortgage is therefore ideally suited to her needs. She doesn't have to make any monthly payments but this does mean that any interest charged will be "rolled-up" and thereby increase the amount of her mortgage.

She won't incur any interest charges on the **£5,000** that's being retained until the point when the money is released to her but she can take it whenever she needs it.

The different plan types - at a glance

LIFETIME MORTGAGE: INTEREST-ONLY

Similar to a conventional mortgage offered by high street lenders. Interest is paid monthly on the amount borrowed. No repayments are made on the capital. If payments are missed the loan converts to a roll-up mortgage rather than be liable for repossession.

FEATURES

- Paid off when you die, move into long-term care or sell the house.
- Interest paid monthly.
- You have a borrowing facility.
- You draw down cash lump sums when needed.
- Available from age 55.
- You mortgage your property.
- No repayment date.
- No negative equity.

ADVANTAGES

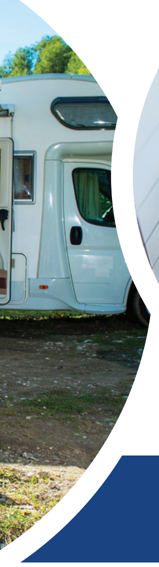
- You still own the property.
- You can move to another property.
- The outstanding loan does not increase whilst payments are being made.
- No repayment date.
- Regulated by the FCA.
- Receive an initial lump sum payment.
- Interest rate is fixed from the outset.
- More chance of a greater sum being left to your beneficiaries.

DISADVANTAGES

- You must pay off any outstanding secured loans.
- The amount left to beneficiaries will be reduced.
- There may be charges for early repayment.
- You need a regular source of income that will last into retirement.
- You may lose entitlement to means-tested benefits.

CASE STUDY

Mr and Mrs Appleton were looking to remortgage their property, however, due to their age, high street mortgage lenders were unwilling to offer them a conventional loan. Facing the prospect of being unable to clear their original mortgage and possibly being forced to leave their home, they discovered an interest-only lifetime mortgage. They subsequently took out a lifetime mortgage and used the lump sum to repay the original mortgage and were able to continue making the regular interest payments. In the future they may choose to repay the amount they borrowed in full, plus any early repayment charges. They are able to remain in the much-loved family home knowing they can leave a large proportion of its value to their children.



HOME REVERSION PLAN

A home reversion plan allows you to exchange the ownership of some or all of your property for a lump sum of cash, whilst allowing you to stay in your property, rent-free, for as long as you live subject to the lender's terms and conditions. This is also known as a 'lifetime lease' and is only available to those who are aged 55 or over.

FEATURES

- Paid off when you die, move into long-term care or sell the house.
- You can choose to sell a proportion of, or your entire home.
- If you don't sell all of your property at the outset, you may not be able to seek a further release of cash at a later date if needed.
- The cash amount you receive will depend on your age, gender, the current value of your property and the proportion you sell.
- Available from age 55.

ADVANTAGES

- Cash released is tax-free and can be spent how you wish.
- No monthly payments
- You benefit from any future increase in the value of your property from the proportion you retain.
- The older you are, the more money you will generally be able to release.
- You can move to another property.
- You know at the outset what share of your home you will be leaving to loved ones in your estate.

DISADVANTAGES

- If you sell 100% of your property, there will be no property value to leave to your beneficiaries.
- If you die shortly after taking out a home reversion scheme, your estate will receive less as the full market value is not given at the outset.
- It's expensive to reverse.
- It may impact the size of your estate and may affect your entitlement to means-tested benefits either now or in the future.
- You can buy back the proportion of your house you sold, but you would be buying it back at market value and not at the discounted rate you sold it for.

CASE STUDY

Mr & Mrs Smith are a retired couple, with no children. They live in Brighton in a property worth **£300,000**. They are fortunate in that they worked for the same company all their lives and both have good occupational pensions, which are linked to RPI. They have a high disposable income but they need to repay their interest-only mortgage, as it has come to an end and they still owe **£120,000**.

As they have no dependents, Mr & Mrs Smith are able to sell 100% of their property in order to release as much capital as possible with a home reversion plan. This will allow them to clear the mortgage and give them some savings to spend on holidays or other things they may require.

The different plan types - at a glance

RETIREMENT INTEREST-ONLY MORTGAGE

A retirement interest-only mortgage is very similar to a standard interest-only mortgage. You will only pay off the interest each month, meaning you should be more likely to have something to pass on as inheritance, or pay for long-term care.

FEATURES

- Paid off when you die, move into long-term care or sell the house.
- You only have to prove you can afford the monthly interest repayments.
- Aimed at older borrowers, such as the over 55s.
- Make monthly repayments to cover the cost of the interest on your loan.

ADVANTAGES

- No need to demonstrate a suitable plan for repaying the mortgage.
- More likely to have something to pass on as an inheritance.
- Avoid having to downsize to a smaller property.
- Generally cheaper when compared to most lifetime mortgages.
- You can unlock some of the equity in your home to pay off outstanding debt.

DISADVANTAGES

- The loan term is not fixed.
- Need to pass the mortgage's affordability checks to prove you can afford the interest-only repayments.
- Negative equity guarantee is not available.
- Your home is at risk if you do not keep up the repayments.
- The amount you can borrow is based on your retirement income and your loan to value ratio.

CASE STUDY

Dr Ward and Mrs Ward recently retired, they still had an interest-only mortgage against their property, which had come to an end, but were not able to re-mortgage down traditional routes because of their age and the amount outstanding. They are planning to downsize in approximately three years, so they needed a plan with flexibility. A retirement interest-only (RIO) mortgage suits their circumstances. They could continue to pay the interest on their new mortgage – to avoid eroding the capital in their property – and after two years there would be no early repayment charges to pay. This meant they could go through with their plans, while avoiding unnecessary costs.

Please note: *The Government do not class retirement interest-only mortgages as an equity release product, yet it can still be used to raise funding in retirement.*

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What if equity release **isn't right for you?**

It may be that equity release isn't the most suitable way of achieving your objectives but getting professional advice is the first step to finding out. Speak to Capital Financial Services and we will give you:

- A review of your current circumstances and discussion to establish your needs and objectives.
- A written recommendation detailing the solution that we've identified as being most appropriate in relation to helping you achieve your goals. This may not necessarily be for an equity release product of course.

Should our recommendation be that you consider alternative ways of raising money, this could include one or more of the following:

- Taking out a conventional mortgage on the property.
- Retirement interest-only mortgages.
- Using money from your existing savings or investments.
- Downsizing to a smaller, lower cost property.
- Claiming any state benefits you may be entitled to.
- Help available from your local authority or Home Improvement Trust, if the money is for home improvements.
- Take in tenants.

In every case it's important you receive qualified advice on the pros and cons of each option. This will allow you to make an informed choice suited to your individual circumstances.

Our equity release advisers are specially trained and experienced in gathering all of the essential facts to help you make that decision.

Other things to consider

You will hopefully find this brochure answers many of your equity release questions.
We'd like to remind you of the following:

- Taking cash via an equity release plan may effect your entitlement to means-tested state benefits. Our advisers can discuss this with you.
- Before committing to an equity release plan, you should discuss it with any close family members, as it may affect their inheritance in the future.
- Ensure that you are comfortable with the terms and safeguards being offered with any plan. Remember that we are members of the Equity Release Council and any plan we recommend will have safeguards attached.

TAX TREATMENT IS BASED ON INDIVIDUAL CIRCUMSTANCES AND MAY BE SUBJECT TO CHANGE IN THE FUTURE.

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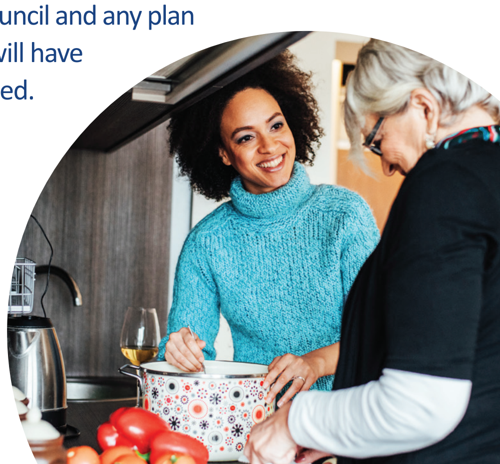


Safeguarding - for peace of mind

Regulated
www.register.fca.org.uk

Capital Financial Services is an appointed representative of TenetConnect Ltd which is authorised and regulated by the Financial Conduct Authority. We follow strict rules in how we promote and provide our services to you. All of our advisers must possess equity release qualifications.

Equity Release Council
www.equityreleasecouncil.com

This is the trade body for the promotion of safeguarding and good practice in equity release. Any plan we recommend will comply with their regulations and principles:

- You cannot lose your home, irrespective of house prices or interest rates.
- You will never find yourself in negative equity (the amount you owe will never be greater than the value of your property).
- You can remain in your home for life.

Independent Legal Advice

To take out an equity release plan you must use an independent solicitor to undertake the legal aspects. They act purely on your behalf and we can help you find one that fully understands and is qualified to undertake equity release work. **The Financial Conduct Authority does not regulate legal services.**

Financial Ombudsman Service
www.financial-ombudsman.org uk

Should you be dissatisfied with our service and believe you have lost out as a result, you may complain to the Financial Ombudsman. If your complaint is upheld they can order us to pay you up to £350,000 in compensation and their decisions are binding.

Financial Services Compensation Scheme

In the event that you have a complaint upheld but we are no longer trading, you are protected by the Financial Services Compensation Scheme for up to £85,000 per person.

Independent legal **advice explored**

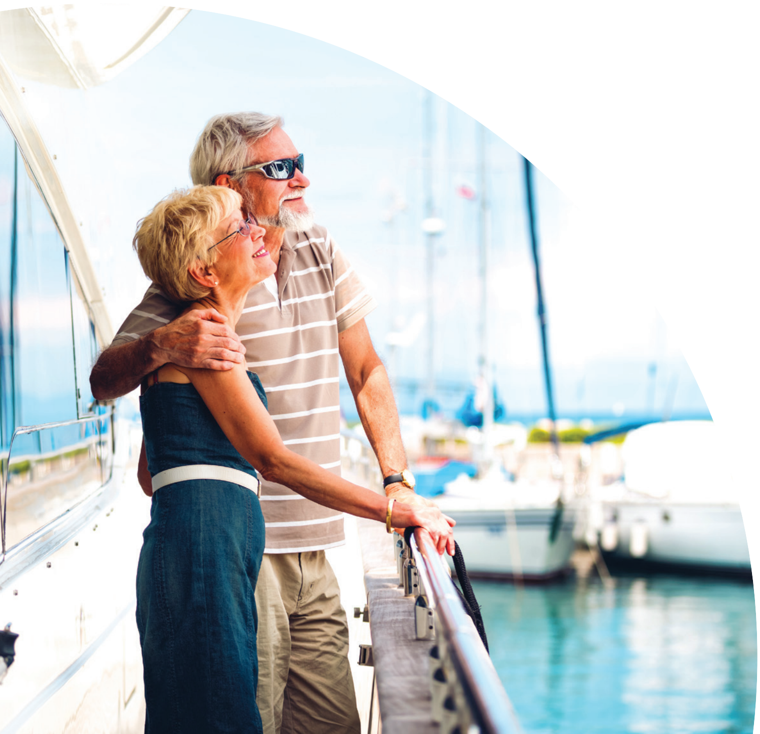
When you proceed with an equity release plan, a solicitor must be appointed to act on your behalf to advise you and ensure the legal aspects and requirements are met.

Equity Release Solicitors Alliance

Equity Release is a specialist area in legal advice. As such, the Equity Release Solicitors Alliance (ERSA) is a panel of independent legal firms that are specialists and understand equity release. The advantages are that, in having detailed knowledge of this area, they are often more efficient in providing the right advice. ERSA members typically offer fixed fee advice that is only chargeable in the event you proceed with an equity release plan.

We can provide you with a list of experienced firms on the ERSA panel.

Whichever firm you choose to instruct, it will be you rather than us that is their client and they will be acting in your best interests.



Safeguarding

As with our financial advice, any legal advice you receive from an ERSA panel firm has multiple protections. Each firm must:

- Be suitably qualified and regulated by the Solicitors Regulation Authority.
- Have in place an appropriate level of professional indemnity insurance.
- In the event of a complaint you have recourse to the Legal Ombudsman.

You can search for details of any regulated law firm by searching the Law Society's website at **www.solicitors.lawsociety.org.uk**

THE FINANCIAL CONDUCT AUTHORITY DOES NOT REGULATE LEGAL SERVICES.

To find out more, simply call Colin:

01923 842 282

Frequently **asked questions**

What is equity release?

Equity release is a plan that enables you to convert a proportion of the equity in your property into funds you can spend as you wish. You can take the money you release as a lump sum or, in several smaller amounts or as a combination of both.

Do I have to repay the loan in instalments?

This will be dependent upon the plan recommended in consultation with you. There is no requirement to make any payments during the lifetime of many of the plans. In addition, some lenders will also allow you the option to make voluntary payments or switch plans altogether.

Am I allowed to spend the money however I want?

Yes! There are many reasons people choose to release equity, be it outstanding debts, loans to pay, home improvements, holidays, helping family or simply to enjoy retirement more comfortably.

How much equity can I release?

This will vary between plans, however, it is calculated based on your age and the value of your property, typically the older you are the more you can release. There is normally a minimum loan of £10,000 and equity released needs to be able to pay off any outstanding secured loans against the property.

Can I stay in my home for life?

Yes. You and anyone else named on the equity release plan can stay in the property for life.

How soon will I get the money?

A straightforward application using experienced advisers and solicitors can take as little as 3-4 weeks, although you should expect 6-8 weeks as a guideline. We will of course keep you up to date with progress throughout.

What are the normal interest rates on a lifetime mortgage?

Like conventional mortgages, the rates available vary across providers and will depend on which one you choose. The rates are normally slightly higher than for conventional mortgages; however, once you've entered the plan, they're fixed for the duration of the agreement.

I already have a mortgage secured against the property, can I take out an equity release plan?

Yes you can, however, any equity released must first be used to pay off the outstanding mortgage(s) or loan(s) secured against the property.

Notes

To find out more, simply call Colin:

01923 842 282

Our Principal, Colin Baldock has over 35 years' experience advising clients. Colin is a fully accredited member of the **Society of Later Life Advisers** and a member of the **Equity Release Council**. This is an endorsement of his skills and experience of working with, and understanding the needs of, older people and their families and carers. These are widely recognised as the Gold Standards in later life financial advice.

We're here to help

As this guide demonstrates, there is a range of different options to consider with equity release to help you plan for the future.

We can give you advice to assess if equity release is right for you and, if you decide to go ahead, arrange the appropriate plan for you giving you one less thing to worry about going forward.

If you would like to know more or would like to arrange an appointment with an adviser who can help you, please get in touch.

We look forward to helping you fulfil your goals.

Capital Financial Services
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Northwood Hills, Middlesex, HA6 1NW.
Tel: 01923 842 282
Email: colin@capitalfs.co.uk
Web: www.capitalfs.co.uk

CAPITAL
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Making the most of your assets

This guide should be used for information purposes only and should not be interpreted as recommendations for advice.

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