

# A Guide to Releasing Capital from your Home

Advice provided by   
**just**  
retirement



**FirstStop Advice brings together the expertise of some of the most trusted and respected organisations in the UK providing one national advisory service able to deliver advice and information in the four areas which most older people will need to visit at some time.**

### Care Advice

Advice about care in any setting from your own home to a care home.

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Advice about housing options from adapting your own home or choosing retirement housing to care homes, including searchable databases of accommodation available throughout the UK.

### Finance Advice

Advice about money and benefits including funding and financial advice for long term care and equity release.

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Advice about rights to help older people get the help, care and support they need when they need it.

[www.firststopadvice.org.uk](http://www.firststopadvice.org.uk)

FirstStop Equity Release Advice Service is provided by Just Retirement Solutions Ltd, who offer advice from a range of competitive products and could help you find the right solution for you. Call 0800 232 1309.

Lines are open 9am to 6pm, Monday to Friday.

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# What is Equity Release?

*The equity in a property is the difference between its value and any mortgage or other debts held against it. Equity release is the term given to unlocking or making available some, or all, of this value in your home whilst continuing to live in it. This can be done through either a lifetime mortgage or by selling a share of the property to a home reversion company. This is known as a home reversion plan.*

**Equity Release is not right for everyone and may affect your entitlement to state benefits and will reduce the value of your estate.**

Some people choose to keep the equity in their property throughout their lives whilst others might choose to use this money as they wish in their retirement. You can use equity release to give yourself a tax-free cash lump sum to spend as you wish, a facility enabling you to draw down money against the property, as and when required.

The amount of money that can be taken as an equity release is limited and determined by your age(s), the property value and sometimes your health. This will vary between lenders and the type of plan you choose.

You can continue to live in your home for the rest of your life. This also applies to your partner as long as the lifetime mortgage or home reversion plan is in joint names.

When you die or if you move into long term care the property is then sold and the proceeds are used to pay the accrued debt. Any surplus will form part of your estate. If you wish to sell your property before you die, for example, if you moved into long term care you would then normally, in the case of a lifetime mortgage, pay the money back to the lender together with the interest accrued from the proceeds. In the case of a home reversion scheme the company would retain a share of the proceeds relating to the proportion of the property they purchased from you.

## Are you eligible for Equity Release?

*The providers of equity release may have differing conditions that have to be satisfied but in general terms:*

*You need to own your own home which needs to:*

- be in a reasonable state of repair;
- have adequate buildings insurance cover;
- if leasehold, the property will need at least 75 years of the lease remaining. *(The loan can be used to extend a lease.)*

## What can I use the money for?

*Cash raised through equity release can be used for any purpose and there are many reasons why you might need extra money, for example:*

- To make your cost of living more affordable or to improve your lifestyle by having an increased income.
- You may need to repay existing debts you are finding difficult to meet.
- Paying for home improvements or adaptations.
- Paying for holidays or a new car.
- Meeting the cost of care in your own home.
- Helping your children with a deposit to buy their first home.
- Helping towards the cost of your grandchildren's school or university fees.

**Think carefully before securing other debts against your property.**

## Before you consider Equity Release

*Equity release may not be the most appropriate option for everybody and there are situations where it may not be suitable. For example:*

- If you need to raise only a small amount of money. Unless it is a scheme specifically designed to do so it could prove unnecessarily costly.
- Equity release products are designed to run for the remainder of your lifetime and are not suitable for short term borrowing.
- Releasing equity will result in a reduction in the value of your estate and the entitlement for your beneficiaries.
- If you have savings you can use these instead of releasing equity, because the cost of equity release is quite likely to exceed any interest you can safely expect from savings.
- Using equity release to repay an unsecured debt may mean you paying interest over the long term.
- Releasing equity as cash could affect your entitlement to means-tested benefits.

### **Possible alternatives to equity release**

#### **Moving to a smaller home**

This could be a less expensive way of releasing capital and may also reduce your outgoings each month.

#### **Talk to your family**

They may be able to help you financially or suggest alternatives to equity release. Also,

## Before you consider Equity Release

### **Possible alternatives to equity release** *continued*

because taking equity release will reduce the value of your estate when you die it will avoid any unnecessary surprises when your home is sold.

#### **Check your entitlement to benefits**

If you are using equity release to supplement your income, check to ensure you are receiving all the State benefits and support you might be entitled to. Also remember that converting equity to cash could adversely affect your entitlements to means-tested help.

#### **Check your entitlement to grants**

If you are thinking about using equity release to pay for home repairs, improvements or adaptations, you may be able to claim grants from your local council or a loan from someone like the Home Improvement Trust through Home Improvement Agencies (see useful contacts).

#### **Do nothing**

Look at other ways of raising cash, for example, letting a room.



*There are two types of equity release available, 'Lifetime Mortgages' or 'Home Reversion Plans', both which are regulated by the Financial Services Authority (FSA).*

## Lifetime Mortgages

**A lifetime mortgage** can be a cash amount based on your age(s) and value of your home. It will form a loan that will not be repayable until you sell your property. Interest will be added monthly or yearly to the amount you borrow each year, compounded (meaning that interest is charged each year on the amount of the loan as well as interest accrued over previous years) over the period of the loan and repaid with the amount borrowed when the property is sold either on death or on moving into long term care. The proceeds of the property after repaying the loan and interest will pass to your estate on death. There is no time limit to the loan, so with interest compounding, the final amount owed cannot be known and could be quite substantial. This is because interest is charged on the interest that has already been added, meaning that the amount you owe will increase quickly. There may be an early repayment charge if you decided to repay your mortgage early. One of our advisors will explain this in more detail.

## Home Reversion Plans

**A home reversion plan** works by you agreeing to sell a percentage of your property to a home reversion company in exchange for a tax-free lump sum and a guaranteed lifetime

## Equity Release Plans explained

lease. The amount paid is discounted based on the age(s) and health of the applicant(s) and their anticipated life expectancy.

It therefore will not reflect the full market value at the time you take out the plan.

The home reversion company discount the value of the property because they will not get their money back until you vacate the property. They are also taking the risk on future house prices, which could go up or down.

Home reversion plans can provide a lump sum only or provide a drawdown facility with the ability to sell further shares of your property in the future.

No interest or monthly payment is required with this type of plan. When you die the percentage of your home that you sold belongs to the home reversion company. The rest, if applicable, will pass to your estate so that you can guarantee to leave a portion of your property as an inheritance, whatever its future value. However, having sold a percentage of your home you will no longer fully benefit from any property price growth on that percentage.

A home reversion plan is not suitable for short-term borrowing. If you needed to end a plan early you would have to buy back the home reversion provider's share of your property at its full market value. This could

## Equity Release Plans explained

cost you much more than you received as a cash lump sum.

**Drawdown** Again, based on your age and the value of your home a maximum facility can be made available for you to draw upon for a predetermined period or for the rest of your life. Having this facility can provide you with the flexibility of just drawing on your equity when you need to and therefore only paying interest on the amounts you decide to take. The repayment is as with the roll up option.

### Introducing the Home Cash Plan

FirstStop is proud to introduce the Home Cash Plan which has been designed by Just Retirement Ltd, one of the UK's leading equity release specialists, with the help of the Joseph Rowntree Foundation.

The Home Cash Plan is a type of lifetime mortgage which offers you flexibility and security. You can draw down smaller amounts of cash as and when you need it which means you only pay interest on the amounts you draw.

However, it is a big decision to make and you need to be sure it is the right choice. It is therefore important to speak to a Just Retirement Solutions adviser who will explain the costs and risks involved whilst identifying if it is suitable for you.

Call 0800 232 1309. Lines are open Monday to Friday 9am to 6pm.

## Equity Release Plans explained

### Glossary of Terms

**Protected Equity** This is an option you can choose to ensure that the debt with accruing interest will not grow to more than an agreed percentage of your property value. Regardless of what might happen to property values in the future, this option can safeguard a guaranteed percentage of your property that you may wish to leave to your beneficiaries.

**Interest Only** You get a lump sum, and pay a monthly interest on the loan, which can be fixed or variable. The amount you originally borrowed is repaid when your home is eventually sold.

**Interest Rates** Lifetime mortgages can be taken on either a fixed rate or a variable interest rate option. A fixed rate is set at the outset and will be guaranteed for the life of the mortgage and will not alter. With this option it is possible to project the increase in debt for your estimated life expectancy.

With the 'drawdown' option the initial amount taken is based on a fixed rate of interest. Future amounts taken will also be on a fixed rate basis but usually at the prevailing fixed rate available to new borrowers at the time the funds are taken.

### **No Negative Equity Guarantees**

A no negative equity guarantee ensures that you will never leave a debt to your estate. As explained above, the final debt

## Equity Release Plans explained

with rolled-up interest added can be quite substantial. The longer you live the larger the debt will be. A 'No Negative Equity Guarantee' ensures that the final debt will not exceed the property value when sold. It is important to remember that house price values can fall as well as rise and that even with a No Negative Equity Guarantee the final debt could match its value, leaving nothing for an inheritance. This could also make it difficult to move home should you decide to at a later date.

### The Effect of House Price Inflation

With a lifetime mortgage you retain full ownership of your property and, if the value of your home increases, you may be able to benefit from any such increases. As property prices increase you may also be able to release more equity if needed.

*Like any major financial decision, if you are considering equity release you need to seek specialist advice, to ensure you know exactly what you are signing up to and understand the implications. FirstStop Equity Release Advice Service is provided by Just Retirement Solutions Ltd, who offer advice from a range of competitive products and could help you find the right solution for you. Call 0800 232 1309. Lines are open 9am to 6pm, Monday to Friday.*

## Which is best for me?

*The plan you choose or are recommended by an adviser will depend on your own personal circumstances.*

For example, how much equity can you release and how much do you need to borrow? The amount you wish to borrow and your age would have some bearing on which sort of plan would suit you best. If you are in your early 60s or have a lower value property you may find that a lifetime mortgage does not release enough to accommodate your needs.

*Other factors to take into account could be:*

- Do you need a lump sum or an income?
- How does the drawdown facility of each plan compare?
- Your attitude towards risk and how you think property prices and interest rates might change in the future?
- The value of your property and how much of this value, if any, would you wish to leave as an inheritance?

You should seek professional advice from an adviser who has access to a variety of plans and can help you choose which is the most appropriate for you or advise you if it is not right for you at all. FirstStop Equity Release Advice Service, provided by Just Retirement Solutions Ltd, can offer you this service. (See Chapter 8).



*Most equity release providers are members of Safe Home Income Plans (SHIP), a voluntary organisation dedicated entirely to the protection of the consumer and the fair promotion of equity release plans, which are easy for all to understand. All members pledge to observe the SHIP Code of Conduct and in doing so will display the SHIP logo in their brochures and other printed materials.*

## The SHIP Code of Conduct

The members of SHIP agree to provide fair, simple and complete presentation of their plans. The benefits, obligations, variables and limitations must clearly be set out in their literature, including all costs which the applicant has to bear in setting up the plan, the position on moving, the tax situation and the effect of changes in house values.

The client's legal work will always be performed by the solicitor of his or her choice. In all cases, prior to the completion of the plan the solicitor will be provided with full details of the terms of the agreement the client will receive. The solicitor will be required to sign a certificate to the effect that the contractual terms have been explained to the client.

All SHIP Members plans carry a 'no negative equity' guarantee which ensures that you will never leave a debt to your estate.

## The importance of taking advice

*Within SHIP members alone there are numerous providers of equity release plans. Every lender can have differing interest rates, loan criteria and customer benefits each of which need to be thoroughly researched to match your personal needs.*

For this reason FirstStop's Equity Release Advice Service is provided by Just Retirement Solutions, who are dedicated to providing customers with specialist financial advice to help them enjoy retirement to the full. FirstStop Equity Release Advice Service offers advice from a panel of carefully selected products. An adviser will talk to you about your circumstances and assess whether equity release is the right option for you. If it isn't, they will clearly state the reasons why not. If it is, they will give you comprehensive advice on an appropriate equity release plan that meets your needs and circumstances.

If you are interested in the FirstStop Equity Release Advice Service, please complete the form at the end of this guide and return it to: FREEPOST, FirstStop Equity Release Advice Service RRCB-YBSG-HZAR, Just Retirement Solutions Ltd, Vale House, Roebuck Close, Bancroft Road, Reigate RH2 7RU, submit online at [www.firststopadvice.org.uk/equityrelease](http://www.firststopadvice.org.uk/equityrelease), or if you wish telephone 0800 232 1309. Lines are open Monday to Friday 9.00am to 6.00pm. Or by email to: [firststopadvice@justretirement.com](mailto:firststopadvice@justretirement.com)

**Advice is with no obligation and an administration fee of £749 will only be charged if you take out a plan.**



**Would I still own my home?**

**Lifetime Mortgages**

You continue to have 100% ownership of your property.

**Home Reversion Plans**

The deeds and therefore ownership of the property would be transferred to a trust to reflect the interest of the home reversion provider.

You would retain a beneficial interest in any part of the property not sold in the home reversion.

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**How much money would I be able to raise through equity release?**

Releases generally range from 15% to 55% of the value of the property. It will be dependent on your age, and with some plans your health. The more your property is worth the greater the cash sum that can be released.

This depends on your age, whether you are single or a couple, the value of your property, your health and the percentage of the property you wish to sell.

The older you are the more you can release and single people can generally release more than couples. It is usual that you can release a larger sum with a home reversion compared with a lifetime mortgage.

## Frequently asked questions

**How much money would I ultimately owe/have to pay to the company?**

### Lifetime Mortgage

The amount payable would be the initial amount borrowed and any drawdowns plus the interest accrued at the time of sale. All SHIP plans guarantee that the amount payable cannot exceed the ultimate sale value of the property. This is called a 'No Negative Equity Guarantee'.

### Home Reversion Plans

The amount payable to the home reversion company would be the ultimate sale value of the proportion or percentage of the property you sold.

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**What impact would rising or falling house prices have?**

You retain the full benefit of any increases in the value of your property. Similarly, if your property price decreases you will suffer the decrease in property value, which would adversely affect the capital available after the loan has been repaid.

If your property increases in value, you will only benefit from the increase in value of the proportion you still hold.

## Frequently asked questions

### Lifetime Mortgage

### Home Reversion Plans

**When would the loan need to be repaid and can I transfer it to a new property?**

The outstanding amount is repaid on your death or with a couple on the death of the last survivor or following a move into permanent long-term care or another property. All SHIP members allow their plans to be transferred to a new property, providing the property meets with the approval of the provider.

**Who would be responsible for the maintenance of my home?**

With both home reversion plans and lifetime mortgages you have to maintain your property to a reasonable standard.

**Would there be any effect on inheritance tax (IHT)?**

You should seek advice. A lifetime mortgage could reduce the amount of IHT payable by your estate as the amount outstanding is deducted from the value of your property before IHT is calculated.

You should seek advice. A home reversion plan could reduce the amount of IHT, as the proportion of the property you sold would fall outside your estate.

**Would entitlement to means-tested benefits be affected?**

This is possible depending on the amount and purpose of the release. You should ask your equity release adviser to provide you with an assessment of the possible impact on means-tested benefits.

## Frequently asked questions

### Would I still be able to leave an inheritance?

#### Lifetime Mortgage

The amount of any inheritance would depend on how long you live, the amount of loan outstanding and the ultimate value of your property when it is sold. It is possible there could be no inheritance. Your adviser will be able to give you an indication of the possible impact on your estate.

#### Home Reversion Plans

If you sold your entire home then there would be no inheritance from the value of the property. However, if you sold part of your property then the value of the portion you retained would provide a guaranteed inheritance.

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### How much will it cost me?

Fees vary from plan to plan as do fees charged by the adviser for arranging your release. You must be made fully aware of the costs involved before proceeding with a plan. Costs include valuation fees, solicitor's fees, provider administration fees and adviser fees. With any traditional mortgage, there are always costs and fees involved and it is exactly the same with equity release. Just Retirement Solutions charge an administration fee of £749, which is only charged should you choose to proceed and your equity release case completes. In addition other costs include a valuation fee, an arrangement fee and your solicitors fees. Your adviser will discuss and set out all fees and costs in detail before any decision is taken.

## Frequently asked questions

**Can I lose my home?**

### **Lifetime Mortgage**

### **Home Reversion Plans**

The SHIP Code of Conduct provides firms with strict criteria that need to be met in order to become a member. One of the guarantees is that you are always secure in your home with a SHIP members plan providing you adequately maintain your home and fulfil the terms of the agreement.

*If after reading this guide you feel equity release might be right for you, it is strongly recommended that you seek specialist advice.*

*By using the FirstStop Equity Release Advice Service, provided by Just Retirement Solutions, you will follow these steps:*

**1. Complete the form with this guide**

and return it to: FREEPOST, FirstStop Equity Release Advice Service RRCB-YBSG-HZAR, Just Retirement Solutions Ltd, Vale House, Roebuck Close, Bancroft Road, Reigate RH2 7RU, or complete and submit an application on line at [www.firststopadvice.org.uk/equityrelease](http://www.firststopadvice.org.uk/equityrelease), or telephone: 0800 232 1309, or Email us at: [firststopadvice@justretirement.com](mailto:firststopadvice@justretirement.com)

**2. An adviser will contact you** to discuss your circumstances, review your eligibility to plans whilst considering any alternative options suitable for you.

**3. Assuming equity release is right for you;** your adviser will discuss the options available to you, and your family if you wish. This can be either by telephone or a home visit. Your adviser will then provide a written report outlining their recommendations.

**4. If you wish to proceed** with an equity release plan a completed application form is sent to the lender you choose.

*You should seek independent legal advice and your adviser will be able to recommend a solicitor who specialises in this work.*

**5. Your property is valued.**

*Your application is processed by the lender and your solicitor.*

**6. Your cash lump sum is paid to you** through your solicitor.



## Useful Contacts

### **Citizens Advice Bureau**

For advice on debt problems and State benefits.  
Telephone: See your local directory  
[www.citizensadvice.org.uk](http://www.citizensadvice.org.uk)

### **Money Advice Service**

Impartial information and guidance about your money to help you work out what's right for you.  
0300 500 5000  
[www.moneyadviceservice.org.uk](http://www.moneyadviceservice.org.uk)

### **Pensions and Retirement Planning**

For information on pension credit, benefits, planning for retirement and the state pension.  
Telephone: see your local directory at  
[www.direct.gov.uk](http://www.direct.gov.uk) and click on Pensions and Retirement Planning

### **Consumer Credit Counselling Service**

For advice on debt problems.  
0800 138 1111 [www.cccs.co.uk](http://www.cccs.co.uk)

### **Turn2us**

Information about grants and benefits available.  
0808 802 2000 [www.turn2us.org.uk](http://www.turn2us.org.uk)

### **Home Improvement Agencies**

To find out about possible home improvements, adaptations and what support or grants might be available to you.

England - Telephone: 08458 645 210  
Scotland - Telephone: 0141 2219 879  
Wales - Telephone: 02920 576 286  
N. Ireland - Telephone: 02890 428 314



**For your  
Notes**



# Equity Release Enquiry Form

(Private and Confidential)



## **YES - I want to know more about Equity Release.**

*To find out if equity release is right for you – simply complete this form and return it to: FREEPOST, FirstStop Equity Release Advice Service, RRCB-YBSG-HZAR, Just Retirement Solutions Ltd, Vale House, Roebuck Close, Bancroft Road, Reigate RH2 7RU, or submit online at [www.firststopadvice.org.uk/equityrelease](http://www.firststopadvice.org.uk/equityrelease), and one of the team from Just Retirement Solutions Ltd will call you at a time convenient for you.*

## Enquirer details

Full Name (including title) .....

Home telephone number.....

Mobile Number .....

Most convenient time to call between Monday to Friday (please tick):

9am to Midday

Midday to 6pm

Date of birth (dd/mm/yy).....

Date of birth of partner (dd/mm/yy).....

(if applicable)

Please tick the box if you do not want us to send you information about products and services offered by Just Retirement Solutions or other selected organisations



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# FirstStop Equity Release Advice Service

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## **FirstStop Equity Release Advice Service**

is provided by Just Retirement Solutions Ltd, who offer advice from a range of competitive providers and can help find the right solution for you. To contact Just Retirement Solutions Ltd, you can write to:

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Vale House, Roebuck Close,  
Bancroft Road, Reigate RH2 7RU  
0800 232 1309

[firststopadvice@justretirement.com](mailto:firststopadvice@justretirement.com)

[www.firststopadvice.org.uk/equityrelease](http://www.firststopadvice.org.uk/equityrelease)

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**FirstStop Advice** brings together the expertise of some of the most trusted and respected organisations in the UK providing one national advisory service for older people, their families and carers. It is also able to deliver advice and information in the four important areas of care, housing, finance and rights.

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Our service is supported financially by the **Department for Communities and Local Government**.



**Visit us online at:** [www.firststopadvice.org.uk](http://www.firststopadvice.org.uk)

**Call the advice line:** 0800 377 7070

Open Mon–Fri, 9am–5pm

*Calls may be monitored or recorded.*

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