

Equity release

Thinking through
your options



What this guide is **about**

As we get older, lots of us start thinking about how we'll manage financially. You might be considering equity release as a way to ease money worries – but is it your best option?

Equity release is a big decision, and it can create more problems than it solves. You might have other, better options – so it's important you don't rush into anything.

This guide explains what equity release is, what the risks are, and where to get further advice. It also helps you think through what options you might have.

“I wish I'd got advice before I took my plan out. It would've saved a lot of trouble further down the line.”

Carol, 78



As far as possible, the information in this guide applies across England, Wales and Northern Ireland. If you're in Scotland, contact Age Scotland for advice.

If you're seriously considering equity release, it's important to get independent specialist advice. All companies selling equity release must offer advice, but it's a good idea to find your own adviser who:

- is qualified and experienced in giving equity release advice
- is authorised by the Financial Conduct Authority (FCA) (page 13)
- isn't restricted to recommending products from just 1 or 2 firms.

The Equity Release Council (page 13) has a directory of financial advisers and solicitors with equity release experience.

Alternatively, MoneyHelper (page 14) has a directory of retirement advisers which you can use to find equity release specialists in your area. Retirement advisers can also advise you on possible alternatives to equity release – such as savings and investments.



Next steps

This guide only provides an overview of equity release. Our more detailed factsheet **Equity release** includes information on choosing an adviser, deciding between products, and regulations and safeguards.

What is equity release?

Equity release is a way of accessing some of the money tied up in your home without having to move. But it's not as straightforward as it might first seem.

There are 2 main types of equity release:

Lifetime mortgage

A lifetime mortgage is the most common type of equity release. Like a traditional mortgage, it's a loan secured against your home – but the money doesn't usually need to be repaid until you die or move into a care home permanently. You can also 'roll up' the interest you owe until this point, but this can mean the amount grows very quickly.

A lifetime mortgage might work out more expensive in the long run than downsizing. If your needs change, there might not be enough equity left in your property to downsize. And if you decide to repay the product early, there could be a substantial early repayment charge.

A Payment Term Lifetime Mortgage (PTLM) is a hybrid of traditional equity release and a capital and interest mortgage, where you pay off the interest on the loan over an agreed term.

Home reversion plan

A home reversion plan allows you to sell part (or all) of your home while you stay living in it. The reversion company then gets a share of the proceeds when your home is sold – usually after you die or move into a care home permanently. They don't pay you market rate though, so your **estate** might be reduced a lot if you die or move into permanent care shortly after taking out the plan.

Home reversion plans can be repaid, but the property would need to be bought back from the reversion company at the full market value.



Your **estate** is everything you own – including your money, property, possessions and investments.

Who can take out equity release?

To take out equity release, you must own your home, and it must be your main residence. There are specific criteria that vary between providers – but in general, the property must be in a reasonable condition and over a certain value.

You might still qualify if you have a mortgage or other loan secured against your property – but it'll depend on its value and the amount you owe. Any outstanding mortgage or secured loan will need to be cleared at the same time you take out equity release, either by using the money you release or by other means, such as savings.

How old do I need to be?

To take out a lifetime mortgage, you (or both of you if you're borrowing jointly) need to be at least 55 years old. PTLMs are designed for people aged 50 and over.

To take out a home reversion plan, you (or both of you) need to be at least 60 years old. Your age also affects the maximum amount you can borrow or the share you can sell.



What are the risks of equity release?

Equity release can cause more problems than it solves, so it's important to consider the risks carefully.

If you claim benefits

Any means-tested benefits you currently receive could be reduced or lost entirely, depending on your circumstances and the type of equity release. These include:

- Pension Credit
- Universal Credit
- Housing Benefit
- income-related Employment and Support Allowance
- Council Tax Reduction.

A specialist equity release adviser should be able to work out what would happen to your benefits if you took out equity release. If not, they must refer you to an organisation like Citizens Advice (page 13) or the Pension Service (page 14). Think over their advice carefully – and don't be afraid to get a second opinion if you're unsure.



Good to know

You can find out what benefits you might be entitled to by using our free and simple online calculator. Visit www.ageuk.org.uk/benefits-check to get started.

Financial support for social care

You should also carefully consider your current care needs – and the care you might need in the future. Taking out equity release can affect whether you receive financial support for social care services from your local council.

If you have family

Before taking out equity release, it's worth considering how it might affect your loved ones.

Equity release can be complicated if you live with any dependants. To stay living in the property with you, they might need to sign a waiver confirming they understand they don't have the right to continue living in the property if you die or move into permanent care. It's a good idea for any dependants to get legal advice of their own.

Equity release could also affect someone coming to live with you in the future. If a family member or friend moves in, they'll need to sign a waiver releasing any rights to the property. They should get legal advice before doing this.

Similarly, if a partner moves in, you might not be able to transfer the equity release product into your joint names.

If you and your partner take out equity release together, your partner might end up having to pay it off if you die or move into permanent care – which could mean selling or giving up the home.

Inheritance

Taking out equity release reduces the value of your estate and the amount that will go to the people named as beneficiaries in your will.

You can sometimes 'protect' a part of your property for your beneficiaries, but it depends on the equity release product.

If you might move house

Taking out equity release can affect your ability to move house in the future.

Most providers let you transfer your product to a different home – as long as it can act as acceptable security. Age-restricted or leasehold retirement housing might not be acceptable, for instance.

If your new home is worth less than the old one, you might have to repay some of the outstanding mortgage.



Choosing the right provider

If you decide to go ahead with equity release, make sure you deal with a provider you can trust.

Any company advising on or selling equity release has to be regulated by the Financial Conduct Authority (FCA) (page 13). This gives you a certain level of protection and means you can access the Financial Services Compensation Scheme if you ever need it.

You should choose a product from a company that belongs to the Equity Release Council (page 13). Members all agree to follow a code of conduct, which includes certain product standards. Meeting these standards means:

- you can live in your property for life or until you move into permanent care, as long as you stick to your contract
- you can move your plan to a different property (providing it's acceptable to the equity release product provider)
- you'll never owe more than the value of your home when it's sold after you die or move into permanent care.

For lifetime mortgages, it also means:

- the rate of interest you pay has to be fixed for each release of funds – or if you have a variable interest rate, the rate has to be capped for the life of the loan
- you can make penalty-free repayments on your loan, as long as it meets the criteria of your equity release provider.

If something goes wrong with your plan, contact your provider first. They'll have a complaints procedure you can follow. If you're not satisfied with the provider's response, contact the Financial Ombudsman Service (page 13). It's good to do this as soon as you can, as there are time limits on making a complaint.

Thinking about other options

Equity release might seem like a quick and easy financial boost – but you should consider all your options first.

- Can you find any ways to save? If you need help with managing your money, MoneyHelper (page 14) has information and advice.
- Do you have any investments or assets that could boost your income or give you a lump sum? A financial adviser should be able to help you look at what you've got and work through your options.
- Are you entitled to any benefits? If you're not sure, you can arrange a benefits check at your local Age UK or Age Cymru or use our online benefits calculator at **www.ageuk.org.uk/benefits-check**.
- Depending on your health and other personal circumstances, could you consider a part-time job?
- Are family or friends able to provide any financial support?
- Could you move to a less expensive property?
- Could you rent out a room in your home? Bear in mind you might have to pay tax on rental income over a certain threshold, and your entitlement to means-tested benefits and care funded by the local council could be affected.
- If you need repairs, adaptations or equipment to help you live independently, have you checked if you're eligible for financial help? See our guide **Adapting your home** for more information.

Your mortgage lender

If you currently have a mortgage but you're having difficulty meeting your monthly payments, contact your mortgage lender to talk through your options. They should make reasonable attempts to reach an agreement with you.

Part-exchange

Some developers allow you to part-exchange your existing property for a retirement home. This enables you to move without the hassle of selling up – but the developer does take a percentage of its value.

Lifetime lease plan

This allows you to purchase the right to live in a property for the rest of your life. It isn't a mortgage, loan or equity release. Instead, you buy a lifetime lease from a company, who then have control of the property when you die or move into permanent care. It's a good idea to get independent legal advice if you're thinking about this.

Sale and rent back

This is when a firm buys your house for less than market value and rents it back to you. While this might sound similar to a home reversion plan (see page 4), there are key differences. See our more detailed factsheet **Equity release** for further information.



Next steps

If you're in financial difficulty, it's never too late to get help. Contact Citizens Advice, StepChange Debt Charity or the National Debtline for free trusted advice. See pages 13-14 for contact details.

Our guide **Getting help with debt** has more information.

Useful organisations

Age UK

We provide information and advice for people in later life through our Age UK Advice Line, publications and website.

Age UK Advice: 0800 169 65 65

Lines are open 7 days a week from 8am to 7pm.

www.ageuk.org.uk

In Wales, contact Age Cymru Advice: **0300 303 44 98**

www.agecymru.wales

In Northern Ireland, contact Age NI: **0808 808 7575**

www.ageni.org

In Scotland, contact Age Scotland: **0800 124 4222**

www.agescotland.org.uk

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Please note that the inclusion of named agencies, websites, companies, products, services or publications in this information guide does not constitute a recommendation or endorsement by Age UK or any of its subsidiary companies or charities.

Citizens Advice

Network of centres offering free, confidential and independent advice.

In England, call Adviceline: **0800 144 8848**

In Wales, call Advicelink: **0800 702 2020**

For online information and to find your nearest Citizens Advice:

In England: **www.citizensadvice.org.uk**

In Wales: **www.citizensadvice.org.uk/wales**

Equity Release Council

Promotes high standards of conduct and practice in the equity release sector. You can find members on its website, from advisers to providers.

Tel: **0300 012 0239**

www.equityreleasecouncil.com

Financial Conduct Authority (FCA)

Regulates financial services in the UK.

Tel: **0800 111 6768**

www.fca.org.uk

Financial Ombudsman Service

Helps settle disputes between consumers and financial organisations.

Tel: **0800 023 4567**

www.financial-ombudsman.org.uk

Housing Rights Service

Offers help and advice on housing issues to people in Northern Ireland.

Helpline: **028 9024 5640**

www.housingrights.org.uk

Law Society of England and Wales

Independent professional body for solicitors in England and Wales. You can use their website to find a solicitor.

www.lawsociety.org.uk/public/for-public-visitors

Law Society of Northern Ireland

Independent professional body for solicitors in Northern Ireland. You can use their website to find a solicitor.

Tel: **028 9023 1614**

www.lawsoc-ni.org

MoneyHelper

Offers information and guidance on money management. You can search for a financial adviser through their retirement adviser directory.

Tel: **0800 138 7777**

www.moneyhelper.org.uk

National Debtline

Provides free, confidential and independent advice about dealing with debt problems in England and Wales.

Tel: **0808 808 4000**

www.nationaldebtline.org

Pension Service

Government service that can provide information about your State Pension. Contact them to report a change in your circumstances.

Tel: **0800 731 0469**

www.gov.uk/contact-pension-service

Personal Finance Society

Website you can use to search for a qualified financial adviser.

www.thepfs.org

StepChange Debt Charity

Provides debt advice and support. Ask them about setting up a debt management plan.

Tel: **0800 138 1111**

www.stepchange.org

Help us be there for someone else

We hope you found this guide useful. When times are tough, it's so important to get some support. You can help us reach everyone who needs us:

1

Tell us your story. If Age UK's information and advice has helped you, we'd love to hear about it. Email stories@ageuk.org.uk.

2

Donate to us. We rely on donations to support older people when they need us most. To make a donation, call us on **0800 169 8787** or go online at www.ageuk.org.uk/donate.

3

Volunteer with us. Our volunteers make an incredible difference to people's lives. Find out more at www.ageuk.org.uk/volunteer or contact your local Age UK.

4

Campaign with us. We campaign to make life better for older people, and rely on the help of our strong network of campaigners. Add your voice at www.ageuk.org.uk/campaigns.

5

Remember us in your will. A gift to Age UK in your will is a very special way of helping older people get expert support in the years to come. Find out more by calling **020 3033 1421** or visit www.ageuk.org.uk/legacy.

What should I do now?

You might want to read some of our relevant information guides and factsheets, such as:

- **More money in your pocket**
- **Housing options**
- **Getting help with debt**

You can find all of our guides and factsheets on our website, along with lots more useful information. Visit **www.ageuk.org.uk** to get started.

You can order free printed copies of any guide or factsheet by emailing **orders@ageuk.org.uk** or calling our Advice Line on **0800 169 65 65**. Our friendly advisers can also help with any questions.

All of our publications are available on request in large print and audio formats.

If contact details for your local Age UK are not in the below box, call Age UK Advice free on **0800 169 65 65**.



0800 169 65 65
www.ageuk.org.uk



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