Equity Release

What is Equity Release?

Equity Release allows you to release cash from your home to use however you choose.

To be able to apply for an equity release you will need to be over the age of 55 and a homeowner.

Although you can enjoy the money released however you choose, below are some typical examples of why people use equity release:

- Funding care or nursing home fees
- Home improvements
- Assisting children onto the property ladder
- Paying off a mortgage or other debt
- Having cash to enjoy holidays

You will be able to live in the property for as long as you like. The loan itself is usually only paid back upon death (if a joint application then last surviving applicant) or moving into long term care.

Equity release historically has had a poor reputation. However, the industry is now regulated by the Financial Conduct Authority and S.H.I.P (Safe Home Income Plans). The S.H.I.P members have to adhere to a strict code of conduct which provides more security for the equity release clients.

Types of Equity Release

Lifetime Mortgage
(This is a lifetime mortgage. To understand the features and risks, please ask for a personal illustration)

A Lifetime Mortgage enables you to release a cash lump sum which will be secured against your property. With some schemes you have the facility to borrow further funds in the future if you so desire. You will not have any monthly repayments to make as the interest is added to your loan.

Advantages of Lifetime Mortgage

- You retain full ownership of your home
- Some lifetime mortgage plans let you guarantee an inheritance for your family by protecting some of the equity
- Possibility of borrowing further cash in the future subject to criteria

Disadvantages of Lifetime Mortgage

- The amount of inheritance left for your beneficiaries will be reduced
- The original loan will increase over time as the interest is added
- Early Repayment Charges may apply
- Eligibility for Means Tested Benefits may be affected

Interest Only Lifetime Mortgages
(This is a lifetime mortgage. To understand the features and risks, please ask for a personal illustration)

An interest only lifetime mortgage works in a similar way to the other equity release lifetime options. The biggest difference is that you pay the interest each month, rather than the interest being added to the loan. This type of equity release should only be considered if you have sufficient income in retirement to cover the repayments on a monthly basis.

Advantages of Interest Only Lifetime Mortgage

- You pay interest each month, so the initial debt should never increase
- You are able to turn your interest only equity release into a lifetime mortgage if the payments get too hard, or you can reduce the payments. This is subject to lenders criteria

Disadvantages of Interest Only Lifetime Mortgage

- You have to make payments each month

Equity Release Alternatives

Equity release can be an excellent solution, but you need to ensure it meets all your needs. Some of the alternative options to release or raise cash are:

- Sell your home and move to a cheaper property
- Sell your home and move into rental property
- Cash in existing investments
- Ask the family for assistance
- Take in a lodger

CHECK THAT THIS MORTGAGE WILL MEET YOUR NEEDS IF YOU WANT TO MOVE OR SELL YOUR HOME, OR YOU WANT YOUR FAMILY TO INHERIT IT. IF YOU ARE IN ANY DOUBT, SEEK INDEPENDENT ADVICE.

Our charges are usually 0% up to 1% of the loan – typically 0.5%.

HFS Milbourne Financial Services Limited is Authorised and Regulated by the Financial Conduct Authority. The FCA does not regulate Tax and Trust advice, Commercial Loans and some forms of Buy to Let Mortgages. Your home may be repossessed if you do not keep up repayments on your mortgage.

Contact:

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