

Equity Release FAQs

Equity release is an increasingly popular method of extracting equity from your home as a means of boosting retirement funds. However, choosing the most suitable product isn't necessarily straightforward and there are some risks to consider first. Therefore, we would always recommend seeking the advice of a professional financial adviser before going down the equity release route.

Acumen provides expert equity release advice. As you might expect, during the course of our work, we encounter a great many different questions surrounding equity release. As such, we thought it would be useful to compile a list of your most frequently asked questions and provide you with comprehensive answers that can help to give you a better understanding of equity release schemes.

What is equity release and how does it work?

Equity release covers a range of products that let you access the equity tied up in your home. There are two main options:

Lifetime mortgage – You take out a mortgage on your property, provided it is your main residence, while still retaining ownership. You can ring-fence some of the property's value for your family. The loan amount and any accrued interest is paid back when you die or when you move into care.

Home reversion – You sell part or all of your home to a home reversion provider for a lump sum or regular payments. You can continue living in the property, but you have to maintain and insure it. At the end of the plan, your property is sold and the proceeds are shared between the remaining owners.

Who is equity release for?

If you're aged over 55 years old, then equity release products can help you to release equity that would otherwise be tied up in your home. Over the last 20 years, more than 270,000 households have benefitted from equity release. More than £12 billion has been released in the process. The money you release can be taken either as a lump sum, several smaller amounts or a combination of both.

What are the benefits of equity release?

If you're nearing retirement age, and the majority of your assets are tied up in property, then equity release gives you the option you to release some the equity invested in your home without having to move house. If your pension doesn't leave you with sufficient funds to live comfortably in retirement, then this could be one option for you.

Further benefits of equity release include:

- Being able to stay in your home
- Retaining your independence
- Releasing a cash lump sum

How much will equity release cost?

It can vary from case to case, which is why you should always seek out professional advice to find the best possible option for you. It's worth noting that you will normally have to pay arrangement fees, which can range from £1,500 to £3,000, depending on your chosen plan.

Equity release can also be more expensive than an ordinary mortgage. For example, a lifetime mortgage will normally be charged at a higher rate of interest than an ordinary mortgage. Your debt can quickly spiral if the interest is rolled up.

Home reversion plans usually don't give you anything near to the true market value of your home either. It's important to be fully aware that if you release equity from your home, then you might not be able to rely on your property for money required later in your retirement – for instance, to fund long-term care.

Is equity release safe?

Equity release is a lifelong commitment. We highly recommend exploring all other options before pursuing this course of action.

Alternative options include:

- Claiming all benefits and grant entitlements
- Downsizing to release funds
- Seeking help from your family
- Protection from the Equity Release Council

Who are the Equity Release Council?

The Equity Release Council is the industry body for the equity release sector. It works closely with providers, qualified financial advisors, lawyers, intermediaries and surveyors who work in the equity release sector to ensure products are safe and accessible. Check that your provider or adviser is a member of the Equity Release Council, so you can be sure that they abide by the trade body's strict rules and standards.

Acumen can provide an experienced and highly qualified financial adviser to discuss the best equity release options for you.

Speak us today by calling 0151 520 4353 or email info@acumenfinancial.co.uk.