Equity release
Deciding whether equity release is right for you
Information and advice you need to help you love later life.

We’re Age UK and our goal is to enable older people to love later life.

We are passionate about affirming that your later years can be fulfilling years. Whether you’re enjoying your later life or going through tough times, we’re here to help you make the best of your life.

Our network includes Age Cymru, Age NI, Age Scotland, Age International and more than 130 local partners.

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What this guide is about

As we get older, we often start to think about how we’ll manage financially, especially if we have a low income and limited savings. If you own your home in the UK and are aged 55 or over, you may be considering equity release as a way of accessing some of the value of your home without having to move.

Equity release is a big decision and it might not be the best or only solution. If you’re considering equity release, this guide will provide you with some basic information about how it works, where to get advice and if it might be right for you.

Before making any decision about equity release, it’s important to get financial advice. If you decide to go ahead with equity release, you’ll also need legal advice during the process.

As far as possible, the information in this guide is applicable across the UK.

Key

This symbol indicates where information differs for Scotland, Wales and Northern Ireland.
What is equity release?

Equity release is a way of releasing cash from your home without having to move. The older you are, the more you can release. There are two main types of equity release.

- **Lifetime mortgage.** This is the most common type of equity release. You borrow money secured against your home. The mortgage is usually repaid from the sale of your home when you die or move permanently into residential care.

- **Home reversion plan.** You raise money by selling all or part of your home while continuing to live in it until you die or move into permanent residential care.

- See pages 8-11 for more information about these types of equity release, including possible advantages and disadvantages.

Equity release is a big decision and it might not be the best or only solution.
Who can choose equity release?

For a lifetime mortgage you (or both of you, if you’re borrowing jointly) need to be at least 55 years old. For a home reversion plan you (or both of you, if you’re taking out a plan jointly) need to be at least 65 years old.

You must own property in the UK, which must be your main residence.

Your property must be in reasonable condition and over a certain value, and there may also be restrictions on the type of property accepted. Specific criteria may vary between equity release providers.

If you have a mortgage or secured loan on your property you may still qualify for equity release, but it will depend on the value of your home and the amount outstanding on the existing mortgage or loan. Any outstanding mortgages or loans secured against your home will have to be cleared at the same time as taking equity release, either by using some of the money to be released or by other arrangements, such as savings.

Equity release may not be suitable if you have dependants living with you. Any dependants should take separate legal advice. If they wish to remain living with you in the property, they may need to sign a waiver confirming that they understand they don’t have the right to reside there if you die or move into permanent residential care.
There are two main types of equity release: lifetime mortgages and home reversion plans.
What are your other options?

Equity release is a big decision and you should consider all your options first. Start by thinking about other ways to raise money. Options include:

- other investments or assets that could boost your income or give you the lump sum you need. A financial adviser should be able to look at all your options.
- moving to a smaller or less expensive property.
- renting out a room in your home. Bear in mind you may have to pay tax on rental income over a certain threshold and your entitlement to benefits and care funded by the local council may be affected.
- getting help with repairs, improvements or adaptations from your local council or another body such as a charity or Home Improvement Agency (HIA). Contact Foundations, the national body for HIAs, (page 21) or your local council. In Wales, contact your local Age Cymru to find out if there’s a handyperson or HandyVan scheme in your area (page 19) or contact Care and Repair Cymru (page 21). In Scotland, contact Care and Repair Scotland (page 21). In Northern Ireland check with Age NI for local availability of Handyperson schemes (page 19).
- getting financial support from family and friends.
- applying for state benefits. You can arrange a benefits check at your local Age UK or use our online benefits calculator at www.ageuk.org.uk/benefitscheck to see whether you’re entitled to any benefits.
Other things to consider include:

• If you receive state benefits, how will releasing equity affect your benefits?

• If your circumstances change, will it affect your ability to move?

• If you have children, how will they feel about it? You may want to discuss it with them first, although the final decision is yours.

• Will releasing equity affect whether you pay for care or the amount you pay?

If you’re having difficulty meeting your monthly mortgage payments, you should contact your mortgage lender for help and to talk through your options. Your lender should make reasonable attempts to reach an agreement with you. If you have an interest-only mortgage coming to an end which you are struggling to pay off, contact an advice agency.

Before making any decision about equity release, you should get financial advice. If you decide to go ahead with equity release, you’ll also need legal advice during the process. See page 17 for more information on seeking financial and legal advice.

### Who can I contact?

For further guidance contact Citizens Advice, StepChange or the National Debtline (in Northern Ireland, contact Citizens Advice or the Housing Rights Service). See pages 20–22 for their contact details.

### For more information

See our factsheet *Equity release*. Read our guide *More money in your pocket*. Both Age Cymru and Age NI publish their own versions of this guide, and in Scotland, Age Scotland publishes the guide *Benefits maze*. 
Different types of equity release

There are two main types of equity release: lifetime mortgages and home reversion plans.

**Lifetime mortgage**

• This is a type of loan secured against your home. It allows you to release a tax-free cash lump sum from the value of your property. The maximum loan depends on your age and the value of your property and, in some cases, your health.

• You continue to live in and keep ownership of your home.

• You remain responsible for maintaining and running your home and for insuring the building, just as you were before taking out the lifetime mortgage.

• Typically, the mortgage does not need to be repaid until the last borrower dies or moves into permanent residential care.

• Interest will be added to the loan (increasing the amount you owe and reducing the amount of equity you have in your property), but this is usually ‘rolled up’ until the loan is repaid. This means you don’t have to make regular interest payments, but you will end up paying interest on the interest. The amount you owe can grow very quickly in this way. However, there are products available where you can repay all of the interest so the amount you owe doesn’t increase.

• Always look for a ‘no negative equity guarantee’ from lifetime mortgage providers. This guarantee means that, when the property is sold after you die or move into permanent residential care, you or your estate will not have to repay more than the sale proceeds, even if they are less than the amount owed. Your estate is everything you own, including money, property, possessions and investments.
**Advantages of a lifetime mortgage:**

• You can get a tax-free lump sum and/or smaller, regular payments to supplement your income, and can continue to live in your home until you die or move into permanent residential care.

• You may continue to benefit from any rise in the value of your property. Remember, the amount you owe may also go up because of interest charges applied to lifetime mortgages, so your equity may not increase.

• You are still able to move home and the product can be transferred to a new home, as long as your new property can act as acceptable security to the mortgage provider. If your new property is worth less than your old home, you may have to repay some of the outstanding mortgage.

• On most products, there is no need to make regular repayments.

**Disadvantages of a lifetime mortgage:**

• It will reduce the value of your estate and the amount that will go to the people named as beneficiaries in your will.

• If you decide to repay the product early, for example if you get an unexpected windfall, there could be a substantial early repayment charge. Your adviser should explain this to you when you take out the mortgage.

• Getting a lump sum or taking extra cash to supplement your income may reduce your entitlement to means-tested benefits, now or in the future (see page 14). If you get care at home funded fully or partially by the local council, they may start charging you or ask you to pay more.

• If the value of your home falls, your remaining equity will also be reduced.
Home reversion plans
• You sell all or part of your home to a home reversion company in return for a tax-free lump sum or a smaller sum with subsequent payments.

• You no longer own your home, or you only own a part-share of it. But you receive a lease giving you the right to live there rent-free (or sometimes paying a token rent) for your lifetime, or until you have to move into permanent residential care. Your solicitor should check the terms of the lease and explain them to you, so that you understand them and know what to expect.

• The reversion company will take their percentage share of the sales proceeds when the property is sold (usually, after the last borrower dies or moves into permanent residential care). For example, if you sold 50% of your property to a reversion company, they will receive 50% of the sale proceeds.

• The reversion company will only pay you a percentage of the current market value of your property because it has to account for the fact that you will be living there rent-free (or almost) for the rest of your life and it may have to wait years for its monetary return.

• You remain responsible for maintaining and running your home and for insuring the building, just as you were before taking out the plan.

Advantages of a home reversion plan:
• You can get a tax-free lump sum and/or take cash to supplement your income, and you can continue to live in your home rent-free (or with minimal rent) until you die or move into permanent residential care.

• If you haven’t sold 100% of your property, you, or your estate, will continue to benefit from any rise in its value.
Equity release

• You can usually release higher amounts than through a lifetime mortgage.

• You can still move to a suitable alternative property in the future, as the plan is transferable. It will be subject to your new home meeting the property suitability criteria applicable at the time.

Disadvantages of a home reversion plan:

• It will reduce the value of your estate and the amount that will go to the people named as beneficiaries in your will.

• The reversion company owns all or a part-share of your home.

• Your entitlement to means-tested state benefits may be affected, now or in the future (see page 14). If you get care at home funded fully or partially by the local council, they may start charging you or ask you to pay more.

• You will receive less than full market value if you sell some or all of your property through a home reversion plan.

• If you die or move into permanent residential care soon after taking out a reversion plan, you could have effectively sold off your home (or a part of it) cheaply – although some plans give your family a rebate if you die within the first few years of signing up.

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

To do next

If you’re considering equity release, talk to a specialist equity release adviser, who will review your personal circumstances and see if there are any possible alternatives. If equity release is the right option, they’ll provide a recommendation of the type that best suits your requirements. See page 17 for information on finding an adviser.
If you receive any means-tested benefits they may be reduced or lost entirely. This will depend on your circumstances and the type of equity release that you choose.

Frequently asked questions

Here are some questions you might have about equity release

“Will I lose out on state benefits if I release equity?”

“Can I move house in the future?”

You may be able to transfer your equity release product, as long as your new property can act as acceptable security to the provider. Leasehold retirement housing may not be acceptable.
It will depend on the value of your home and the amount outstanding on the existing mortgage, which will have to be cleared at the same time as taking equity release.

This depends on the product. With some you can ‘protect’ a part of your property for the benefit of your beneficiaries.

Products that meet the Equity Release Council’s standards assure that if you die or move into permanent residential care, you or your estate will not repay more than the sale proceeds.

Yes, but they may not have the right to stay living there if you die or move into permanent residential care. They will have to sign a waiver confirming they understand this.
How will equity release affect your benefits and tax position?

You need to consider the impact on any benefits that you receive when you release equity, and be aware of the possible impact on any benefits that you may want to claim in the future.

If you receive any means-tested benefits, they may be reduced or lost entirely. These include:

- Pension Credit
- Jobseeker’s Allowance
- Income Support
- income-related Employment and Support Allowance
- Universal Credit
- support with Council Tax or care services.

This will depend on your circumstances and the type of equity release you choose.

A specialist equity release adviser will be able to work out what could happen to your benefits if you take out equity release. Consider this information carefully.

The equity you release will be tax-free. Any income you raise from investing the money may increase the amount of income tax you have to pay, though many providers won’t lend money to be used for investment.

For more information
See our factsheet *Equity release* for examples of how equity release can affect your benefits.
Avoiding risk

All firms advising on or selling equity release have to be regulated by the Financial Conduct Authority (FCA, page 20). This provides protection, security and access to the Financial Services Compensation Scheme if you ever need it.

You should choose a product from a company that is a member of the Equity Release Council (page 20). This is an industry body and its members agree to abide by a voluntary code of conduct. This includes certain product standards. When these standards are met it means you:

- can live in your property for life, or until you move into permanent residential care
- can move your plan to an alternative property (providing it is acceptable to the equity release product provider)
- will never owe more than the value of your home when it is sold after you die or move into permanent residential care.

Always make sure you speak to a specialist equity release adviser, and that both the adviser and the equity release provider are authorised by the FCA (page 20).

If something goes wrong with your plan, contact your provider first. They will have a complaints procedure to follow. If you’re not satisfied with the response, you can contact the Financial Ombudsman Service (page 20) to see if they can help.
Alternatives to be aware of

You might see other options that could provide you with money from your property.

**Sale and rent back**
With this arrangement, a firm buys your house for less than market value and rents it back to you at a market rent.

Unlike equity release, you can lose your home. You also have to pay rent, which can later be increased significantly. There are specific Housing Benefit rules about paying rent for a property that you used to own.

Be cautious before agreeing to such an arrangement, and take independent legal advice. If you’re considering sale and rent back, make sure that the provider is authorised and regulated by the FCA (page 20).

**Lifetime lease plans**
You can purchase the right to live in a property for the rest of your life under a lifetime lease plan. This isn’t a mortgage, loan or equity release. Instead, you buy a lifetime lease from a company, who would then own the property when you die or move into permanent residential care. Take independent legal advice if you’re considering this.

**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 your property, but the developer takes a percentage of its value.

**For more information**
See our factsheet *Equity release*, read the Money Advice Service’s guide *Sale and rent back schemes* or contact the Money Advice Service (page 22).
Seeking legal and financial advice

Always get advice from a specialist equity release adviser before taking out equity release and make sure the financial adviser you choose is authorised by the FCA.

You can search for a financial adviser through:

• the Money Advice Service’s retirement adviser directory (page 22)
• the Equity Release Council (page 20)
• the Personal Finance Society (page 22)
• Age UK offers access to the Age Co Equity Release Advice Service provided by HUB Financial Solutions Limited*. HUB Financial Solutions Limited offers advice on a range of products from selected providers.

As part of the process, you will need to appoint an independent solicitor who has equity release knowledge. The Equity Release Council (page 20) or the relevant Law Society (page 21) in your nation can provide you with a list of local solicitors.

*The Age Co Equity Release Service is provided by HUB Financial Solutions Limited. Registered office: Vale House, Roebuck Close, Bancroft Road, Reigate, Surrey, RH2 7RU. Registered in England and Wales (number 05125701). HUB Financial Solutions Limited is authorised and regulated by the Financial Conduct Authority. Call 0800 023 2814 to find out more.

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Before making any decision about equity release, it’s important to get financial advice.
Useful organisations

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

**Age UK Advice:** 0800 169 65 65  
Lines are open seven days a week from 8am to 7pm.  
www.ageuk.org.uk

Call Age UK Advice to find out whether there is a local Age UK near you, and to order free copies of our information guides and factsheets.

In Wales, contact  
**Age Cymru:** 0800 022 3444  
www.agecymru.org.uk

In Northern Ireland, contact  
**Age NI:** 0808 808 7575  
www.ageni.org

In Scotland, contact  
**Age Scotland:** 0800 124 4222  
www.agescotland.org.uk

The evidence sources used to create this guide are available on request. Contact [resources@ageuk.org.uk](mailto:resources@ageuk.org.uk)
Citizens Advice
National network of advice centres offering free, confidential and independent advice, face to face or by telephone.

In Wales there is a national advice service on 0344 477 2020. It is available in some parts of England on 0344 411 1444. In Scotland, there is a national advice service on 0808 800 9060. In Northern Ireland, call 0800 028 1881 for debt advice.

For online information and to find details of your nearest Citizens Advice in:

England or Wales: www.citizensadvice.org.uk
Northern Ireland: www.citizensadvice.org.uk/nireland
Scotland: www.cas.org.uk

Equity Release Council
Trade association for equity release providers and advice firms that comply with a statement of principles. Provides a list of members and free written information about equity release.

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
**Foundations**
National body for Home Improvement Agencies (HIAs) and handyperson schemes, with a website you can use to find your nearest one in England.

Tel: 0300 124 0315
www.foundations.uk.com

In Scotland, contact **Care and Repair Scotland**
Tel: 0141 221 9879
www.careandrepairscotland.co.uk

In Wales, contact **Care and Repair Cymru**
Tel: 0300 111 3333
www.careandrepair.org.uk

**Housing Rights Service**
Offers help and advice on housing to people in Northern Ireland.

Mortgage debt advice line: 028 9024 5640
www.housingrights.org.uk

**Law Society of England and Wales**
Professional body for solicitors.

Tel: 020 7242 1222
www.lawsociety.org.uk/for-the-public

**Law Society of Northern Ireland**
Tel: 028 9023 1614
www.lawsoc-ni.org

**Law Society of Scotland**
Tel: 0131 226 7411
www.lawscot.org.uk/for-the-public
Money Advice Service
Provides impartial information and guidance about money through their website, helpline and written materials. You can search for a financial adviser through their retirement adviser directory.

Tel: 0800 138 7777
www.moneyadviseservice.org.uk

In Scotland, contact Money Advice Scotland
Tel: 0141 572 0237
www.moneyadvicescotland.org.uk

National Debtline
Provides free confidential and independent advice on how to deal with debt problems in England and Wales.

Tel: 0808 808 4000
www.nationaldebtline.org

Personal Finance Society
Can help you search for a qualified financial adviser.

www.thepfs.org/yourmoney

StepChange
Provides debt advice and can help you set up a debt-management plan.

Tel: 0800 138 1111
www.stepchange.org
Can you help Age UK?

If you would like to, please complete the donation form below with a gift and return to: Freepost Age UK REPLY. Alternatively, you can phone 0800 169 87 87 or visit www.ageuk.org.uk/donate. If you prefer, you can donate directly to one of our national or local partners. Thank you.

Personal details

Title:       Initials:          Surname:          

Address:     Postcode:          

We’d† like to let you know about the vital work we do for older people, our fundraising appeals and opportunities to support us, as well as the Age UK products and services you can buy. We will never sell your data and we promise to keep your details safe and secure.

☐ I do not wish to receive communications by post.

You can change your mind at any time by phoning 0800 169 87 87 or writing to Supporter Services at the registered address below. For further details on how your data is used and stored: www.ageuk.org.uk/help/privacy-policy

Your gift

I would like to make a gift of £:

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Card payment I wish to pay by (please tick):

☐ MasterCard  ☐ Visa  ☐ CAF CharityCard  ☐ Maestro  ☐ American Express

Card number Expiry date

Signature

Gift Aid declaration

☐ Yes, I want Age UK and its partner organisations** to treat all donations I have made for the four years prior to this year, and all donations I make from the date of this declaration until I notify you otherwise, as Gift Aid donations. I am a UK tax payer and understand that if I pay less income tax and/or capital gains tax than the amount of Gift Aid claimed on all my donations in that tax year it is my responsibility to pay any difference.

Today's date

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† We, includes the charity, its charitable and trading subsidiaries, and national charities (Age Cymru, Age Scotland and Age NI). Age UK is a charitable company limited by guarantee and registered in England (registered charity number 1128267 and registered company number 6825798). The registered address is Tavis House, 1–6 Tavistock Square, London WC1H 9NA. Age UK provides a range of services and your gift will go wherever the need is the greatest.

** Age Cymru, Age Scotland and Age NI
Supporting the work of Age UK

Age UK aims to enable all older people to love later life. We provide vital services, support, information and advice to thousands of older people across the UK.

In order to offer free information guides like this one, Age UK relies on the generosity of its supporters. If you would like to help us, here are a few ways you could get involved:

1. **Make a donation**
   To make a donation to Age UK, simply complete the enclosed donation form, call us on 0800 169 8787 or visit [www.ageuk.org.uk/get-involved](http://www.ageuk.org.uk/get-involved)

2. **Donate items to our shops**
   By donating an unwanted item to one of our shops, you can help generate vital funds to support our work. To find your nearest Age UK shop, visit [www.ageuk.org.uk](http://www.ageuk.org.uk) and enter your postcode into the ‘What does Age UK do in your area?’ search function. Alternatively, call us on 0800 169 8787

3. **Leave a gift in your will**
   Nearly half the money we receive from supporters come from gifts left in wills. To find out more about how you could help in this way, please call the Age UK legacy team on 020 3033 1421 or email legacies@ageuk.org.uk

Thank you!
What should I do now?

For more information on the issues covered in this guide, or to order any of our publications, please call Age UK Advice free on 0800 169 65 65 or visit www.ageuk.org.uk/moneymatters

Our publications are also available in large print and audio formats.

The Age UK Group offers a wide range of products and services specially designed for people in later life. For more information, please call 0800 169 18 19.

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