

Equity Release

There are two main types of Equity Release schemes :

Lifetime Mortgages and Reversion Schemes

Equity release schemes enable homeowners to tap into the value of their property without the need to sell their home and could be a way of boosting a standard of living in retirement.

Such schemes are targeted at older homeowners who would otherwise struggle to take out a regular mortgage having to make regular payments with little income making a provision to take cash from the equity built up in their property. The schemes typically allow over-55's to **borrow against their home**, paying interest only at the end of the loan if they choose to sell up or in the event of their demise.

If this is something that you may be considering, it is essential that you take advice from your **Financial Advisor and/or Solicitor**. Extracting money from your home could have a substantial impact on many aspects of your finances therefore you should ensure that you fully understand and plan for any negative financial implications of equity release.

Lifetime Mortgages are the most common type of scheme. These enable you to take out a loan on your property in return for a lump sum, an income or both. You would continue to own your property not usually having to make any monthly repayments and any debt would only be repaid upon your demise or when you go into long-term care.

Due to the fact that there are no monthly repayments with this scheme, the interest "rolls up" so to speak and the compounding effect of such will swiftly increase the amount you owe.

For those who don't need a large cash lump sum at the outset, the most popular sort of lifetime mortgage is the "drawdown" version. As an alternative, a sum of money is set aside for you to draw from as and when you may require it. You will only pay interest on the cash you release and this in turn could save you a great deal of money.

With a **Home Reversion Scheme**, you sell all or part of your property at less than its market value in return for a tax-free lump sum, a regular income, or both but remain in your home as a tenant, paying no rent.

