Equity release: Lifetime mortgages

Equity release has become increasingly popular in recent years. It allows homeowners, aged 55 and older, to access the equity tied up in their property without having to move. This can be done in several ways, but the most common ones are through a lifetime mortgage or a home reversion plan.

What's the difference?

A lifetime mortgage is a loan secured against your home that allows you to borrow a lump sum or receive regular payments. The loan is repaid from the sale of your property when you pass away or move into long-term care.

On the other hand, a home reversion plan involves selling a portion of your property in exchange for a lump sum or regular payments, while retaining the right to live in your home rent-free for the rest of your life. Although our advisers are unable to advise on home reversion plans, they are there to support you on lifetime mortgages.

How will it impact my family?

While lifetime mortgages can provide a welcome source of income for retirees, who may have limited pension savings, it is important to consider its impact on your family. Here are some things to keep in mind:

Inheritance: Lifetime mortgages can reduce the amount of inheritance you can leave to your loved ones. This is because the lifetime mortgage will need to be repaid from the sale of your property, which may leave less money for your beneficiaries.

No need to relocate: You can stay in your home while still accessing the equity tied up in the property. This means you don't need to downsize or move to a different location to release cash.

Financial support to family: Lifetime mortgages can enable you to provide financial support to your family, whether it's helping with university fees, paying for a wedding or gifting a deposit for a house purchase.

Lifetime mortgages can be a useful tool for extra income, but it may not be right for everyone. It may affect your entitlement to state benefits and may reduce the value of your property. For more information, contact your adviser who can support you and provide the best outcome for your situation.

If you'd like to discuss the options available to you, contact your adviser today.

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