

Retirement **FREEDOM**

Information about **Releasing Equity** in your **Property**

Spring 2025

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Releasing property wealth
£2,319,000,000
of housing wealth
was unlocked
in 2024.
(Source: Equity Release Council)



Your Property Wealth

Products exist that are specifically designed for homeowners, aged 55+ (and even 50+, in some cases), who may want to **raise funds against the value of their property.**

In this issue, we cover some of the key areas to consider, should you be looking to secure money for whatever reason.

If you did, you'll be on a well-trodden path. Since 1991, more than **685,000 homeowners** have accessed almost **£50bn of property wealth** via Council members to support their finances.
(Source: Equity Release Council, February 2025)

Increasing financial wealth

Even if you don't delve into the financial value, it's nice to know that the average UK property price has increased from about £100,000 in 1995 to around £268,500 in 2024.

That's a **more than 2x increase** in the **last 30 years** of increasing value.

(Source: Nationwide)

In fact, that gap is **greater** if you've put in **effort** (and money) to improve the property you've lived in.

Of course, you should only release equity into this property wealth if you **need** or desire access to further funds.

The need, or desire

The reasons why people want to raise money as they move towards, or are in, their retirement years are wide-ranging, such as:

- Pay off an **outstanding mortgage loan.**
- Deliver funds for **day-to-day living costs.**
- **Home renovations**, for a better living space, or for modifications to meet at-home care needs.
- Help fund that **special treat**, such as a holiday-of-a-lifetime.
- Assist other **family members**, who might need to wait for...

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■ (Your name here) is authorised and regulated by the Financial Conduct Authority.

■ Lifetime Mortgages and Home Reversion Plans are the two main types of Equity Release.

■ To understand the features and benefits of a personalised

Whole issue would be coloured up to reflect your corporate colours

■ An Equity Release plan will reduce the value of your estate and as a result there may be no value left to pass on. Equity Release will not be suitable for everyone and may affect your entitlement to State benefits.

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gap
mortgages,

how we
case get in



Here to help YOU...

In our role as a **fully-qualified adviser in the Later Life lending sector**, we will discuss the various options. Some homeowners will go on to release money against the value of their home by taking out a product, such as a **Lifetime Mortgage**. For others, alternative choices may be more appropriate.

Releasing equity against the value of your home is a topic that, for some, provokes negative views, such as:

'You will lose your home'.

'A debt will be left to those inheriting'.

'There'll be little value left once the interest has rolled up'.

The first two statements are **simply not true** if you take up a plan supported by the Equity Release Council (which encompasses most lifetime mortgage deals on offer). And the final comment can be addressed by **paying the interest**.

However, for many homeowners, the secure funds with ongoing payments find to be quite difficult.

And this is why **professional advice**.

Considering your options

For our part, we will listen to your needs, identify the choices, and if you want to proceed, we'll then undertake a lot of the legwork.

And, as part of the initial process, we would discuss if there are more suitable alternative options out there for you.

Innovative products

In recent years, we have seen **sizeable product innovation**, and we'd run through those options, such as:

- The introduction of shorter period Early Repayment Charges, or possibly none at all.
- Better interest rates (or enhanced borrowing amounts) on offer on some plans, if you commit to agreed monthly payments.
- The increased flexibility of the products on offer. Such as some plans that will evolve as you move into retirement, with payments made initially, and then transition into a full roll-up product.

Vulnerable clients

Our knowledge and expertise in this sector help identify clients that

Others involved too

Advice should not solely come from us, you must also seek input from a **solicitor**, and maybe your **accountant** too; as well as possibly sounding out **family members**.

In addition to this, there are a number of customer controls and protections that are in place from the aforementioned **Equity Release Council** and the **Financial Conduct Authority**.

Alternatives...

There continues to be increased choices out there, as lenders list to issues raised by Advisers.

'affordability' criteria may be in the mix, here are

remortgage a **standard mortgage deal** that runs over 25 years (which might require paying off both the capital amount and interest).

- Or consider hybrid mortgage plans that are now being developed, such as a **Term Interest-Only mortgage** (for 50+ homeowners). For this, the interest is paid for an agreed period, and then the product reverts to roll-up.
- Or, perhaps a specific **Retirement Interest-Only product**, where only the monthly interest needs to be paid (without a set end date).

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The inheritance

With a lifetime mortgage, you retain ownership of the home, but we're also mindful that it's possibly your family's future inheritance too.

That's why some plans will enable you to put in place ways to **ringfence some of the inheritance**.

That said, some borrowers do want to gift money now to help their family - when they may possibly need it most.

LIFETIME Mortgages

This is the most popular way to release **'tax-free' money** from the **value of your home**. And possibly against a value that may have grown markedly over the years.



In today's marketplace, a **Lifetime Mortgage** is a flexible and innovative product, which bears little resemblance to the rigid plans offered back in the 1980s.

However, like any other loan taken out, the lifetime mortgage is **not free money**.

The loan (and any interest accrued) will need to be paid off, but may not be actioned until the last remaining policyholder has either died, or gone into long-term care.

The benefits...

With the interest rate generally fixed for the whole term, there are a number of options to consider.

■ No affordability test

If you know of someone who's been applying for a lifetime mortgage, then you'll know how difficult this can be.

■ No monthly payments to make

Should this be your preferred option, it'll be the case, for as long as the deal runs.

■ Conversely, you can lessen the impact of the interest rate roll-up

To explain this, let's consider that £100,000 has been borrowed at an interest rate of 6%. Put simplistically, at the end of year one, £106,000 would be owed. And then in year two, the 6% interest figure would be applied to the £106,000 amount, and so on. This is what's called compound interest. And, if no payments were made, then the full amount

owed would have doubled after about 12 years.

Alternatively, if all of the interest owed was paid each month, then the lender would only be claiming back the return of the 'capital amount'. Although, you can decide to stop paying the monthly interest further down the line.

On some plans the interest rate is lower if you pay off (some, or all of) the interest each month, and you can even make repayments of the capital amount too (up to an agreed level).

■ Lump sum, or drawdown?

Some borrowers may take the full lump sum at the start, while others may take an initial

drawdown and then take further

drawdowns as needed.

Some plans allow you to take a lump sum

at the start, and then take further

drawdowns as needed.

Some plans allow you to take a lump sum

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drawdowns as needed.

Some plans allow you to take a lump sum

at the start, and then take further

How you're PROTECTED

Here are some of the customer protections put in place by **The Equity Release Council** - the industry body. These are applicable if the plan (such as a Lifetime Mortgage) goes via one of their lender members - which covers most deals out there.

■ All products from Equity Release Council lender members have a **guaranteed security of tenure**.

This means that customers will be allowed to remain in their property for life, or until they move into long-term care, provided that the property continues to be their main residence.

In the case of a joint policy, this then applies to the last surviving borrower.

■ All products from Equity Release Council lender members have a **lifetime equity guarantee**.

This means that when your property is sold, the lender's loan and any interest that has been paid, will be repaid from the sale proceeds.

If the amount left is not enough to repay the outstanding loan to your provider, **neither you nor your estate will be liable to pay any more**.

■ Customers, who've taken out an Equity Release plan, **have the right to move**, subject to the new property being acceptable to the product provider as suitable security for the loan.

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■ Benefit from...

It sounds perverse, as you're told throughout life to look after yourself, but you may obtain a better deal if you have a qualifying medical condition.

■ Early Repayment Charges (ERC)

More recently, there's been innovation in this area, where the timeframe in which this would be applied is now much shorter, or not applicable at all on some plans.

Please do get in touch to hear more.



Spending Plans

Two in five UK retirees have retirement regrets, and much of this relates to not increasing pension savings while working, or not making lifestyle adjustments to create a better environment to save more for retirement.

The upside is that solutions do exist, such as leveraging your property wealth to **help yourself, or help others.**

(Source: Canada Life, May 2024 release)

The reality of later life living, is that there are many areas (some being unexpected lifestyle changes) where funds would be very useful to help meet essential needs, or to do the nice stuff that'll bring a smile to your face.

So, how can you use your funds

You can choose from THREE story choices for page 4: This is option 1

1. Key uses of the Funds
2. Wealthier Equity-Rich homeowners
3. Growing Later Life marketplace

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releasing... and bridge the gap. The upside of this route is that **you can then remain in your current home.**

And, if you're on an interest-only mortgage, you're not alone. At the end of 2023 there were still 664,000 interest-only mortgages out there, and a further 200,000 part interest-only/part repayment mortgages.

Of this amount, about **187,000 plans are expected to mature by 2027**, resulting in a mortgage loan of around £144,000, on average, that will need to be repaid.

(Source: UK Finance, Interest-only update, June 2024)

Releasing equity from your home, can help meet any shortfall. In fact, over one-third of all lifetime mortgage borrowing is used to do just that.

*(Source: *Canada Life, Uses in 2024, January 2025 release)*

gifting money to the family?

This is the one to bring a smile to your face, as it would enable you to use your wealth now, when it's possibly needed most by others.

It could encompass areas such as:

- school and university costs.
- a deposit for a first home.
- assisting home improvements for family members.
- generally helping to ease other family members through the current cost-of-living crisis.

To give you an idea of the needs of oth-

ers, the average property purchase deposit in the UK for a First-Time Buyer stands at over £60,000. Any support you might be able to provide **could be life-changing.**

(Source: Halifax, First-Time Buyer report, February 2025)

Home renovations?

Around a third of all lifetime mortgage borrowers may use funds to make home improvements, or adaptations.*

You might decide that you need extra bedroom space for friends and a growing family, which may require an extension, or loft conversion.

Or, your own mobility, or unexpected health issues, might result in much-needed modifications to the existing home.

These are just a few examples of how you could put your property wealth to good use, others might be to deliver help with bills, special treat(s), funds to buy another property, or money to help extend a lease.

Useful LINKS

How much is your home worth?

Aside from getting it valued, you can check out the sale prices of comparable properties in your area:
gov.uk/search-house-prices
scotlis.ros.gov.uk
finance-ni.gov.uk

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EQUITY RICH

The Later Life lending market, with products such as the **Lifetime Mortgage**, has evolved massively over recent years, and can possibly assist those from all walks of life.

We have spoken elsewhere about the roll-up effect. In this instance, it may be less of an issue for a comfortably equity-rich property owner, who doesn't want to downsize.

More ... You can choose from **THREE** story choices for page 4: This is **option 2**

1. Key uses of the Funds
2. Wealthier Equity-Rich homeowners
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... the same ... of just 2.5% a year (it's currently 4.1% annually), then the property could increase to almost **£1.35m**, which would still leave **£950,000 of available equity**, 12 years on.

(Source: Nationwide, House Price Index, January 2025)

Of course, this is a simplistic calculation, and other factors will come into play (such

as inflation), but it gives you a feel for the benefits that could accrue if you don't borrow a large percentage, and also own a high-value appreciating property.

Managing tax liabilities

In relation to tax matters, you must turn to your accountant for qualified advice, but here are a few ways that releasing equity in your property may assist wealthier clients.

Pension - If you have a decent amount of equity in your property and a good pension pot, then you'll know you have options.

In this instance, 75% of the money released from a pension is likely to be liable for income tax. Conversely, money released via a lifetime mortgage, for example, is **tax-free**.

Inheritance tax - This tax is generally paid out at 40% of the value of the estate above the threshold level. On an individual

basis, this could kick in from £325,000. But, if you're married, or in a civil partnership, and passing on a home, then the threshold level for a couple could increase to £1m.

Looking back to the **£200,000 gift** to family members, a by-product of this could be that you **lessen your tax liability on death**. This would occur, as you've passed money on, and the amount owing on your plan would be seen as a debt against the value of your estate. Naturally, you'd need to be mindful of the 7-year gifting rule, and other tax issues.

Whilst we can assist with your borrowing needs, you must also seek tax advice.

HM Revenue & Customs practice and the law relating to taxation are complex and subject to individual circumstances and changes which cannot be foreseen.

Useful LINKS

How much is your home worth?

Aside from getting it valued, you can check out the sale prices of comparable properties in your area:
gov.uk/search-house-prices
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 Additional route to consider for elements such as this:
www.gretel.co.uk
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PATH of Normality...

Lending into the retirement years is **moving from a niche to a norm**, according to the Chief Operating Officer at the Financial Conduct Authority. Whilst she was referring to First-Time Buyer mortgages running into the retirement years, it echoes the acceptance of others to borrow into later life.

To reinforce that point, annual lending within the later life market-... around...

You can choose from THREE story choices for page 4: This is option 3

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to 15...

By 2023, this had risen to **almost 21m (a 30% jump)**. On top of this, people are now living longer.

Greater property wealth

Total UK 'unmortgaged' property wealth amounts to £5.7trillion, with **about 60%**

(£3.4trillion) held by those aged 55+. This equates to an average of £321,213 of equity in the homes of the over 55s.

(Sources: Equity Release Council, Sept. & Dec 2024 releases)

Flexible products

A growing audience, sizeable property wealth, plus numerous reasons for them to require funds, and that's not lost on lenders.

It's **part of the reason why Lifetime Mortgage products are so flexible** and allow borrowers, if wanted, not to make any payments in their lifetime.

That flexibility would not be afforded to the first-time buyer sector, as the maths wouldn't work out, plus there's limited property wealth as security for the loan.

From here the choice is yours. Some will prefer to sit back and hopefully enjoy continued growth in their property value.

Those looking to borrow

Others, who may be **equity-rich, but cash-poor**, might prefer to gain access to some funds now, to pass onto family members, or to meet their own needs.

And here are some key facts:

■ Take-up

In Q4 2024, **15,000 homeowners** were active in the market - a 10% year-on-year rise.

■ Average amount borrowed

Lump sum = **£115,243**

Initial Drawdown = **£70,926**

Drawdown reserve = **£56,565**

Total Drawdown = **£127,491**

■ Average rate of new Lifetime

Mortgages launched

6.47% vs. 7.48%, a year earlier.

(Source: Equity Release Council, Q4 2024 report, Jan. 2025)

Useful LINKS

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