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Equity Release: Home Truths

If you are aged 55 years or over and maybe retired or are approaching retirement and have paid (or almost paid) off your mortgage Equity Release may allow you to use all or part of your property to provide a cash lump sum and/or an income without having to move home.

There are many reasons why you may wish to unlock capital in your home, some of which are:

- To supplement retirement income
- To repay borrowing
- To make a gift to grandchildren
- To take a holiday
- To mitigate Inheritance Tax

Equity Release may not be suitable for everyone. There may be other ways to raise capital by:

- Selling your home and buying a smaller one
- Selling other assets
- Extending your existing mortgage

However, if none of these options are suitable Equity Release may be right for you.

There are currently two main types of Equity Release – lifetime mortgages and home reversions.

With a lifetime mortgage you:

- Take out a loan secured on your home
- Continue to own your own home without having to maintain the mortgage payments
- Repay the mortgage from the proceeds of the sale of your home when you die or if you move into long term care

With a home reversion you:

- Sell all or part of your home to a reversion company
- No longer own the portion of the property you have sold but continue to live there as a tenant
- The home is sold by the reversion company when you die or if you move into long term care

The main advantages of Equity Release are:

- You unlock capital which you can use in whatever way you choose
- You do not have to move home
- You do not have to sell your home
- Improve your standard of living and supplement your income and remove any current borrowing

Independent advice is essential because Equity Release will have advantages and disadvantages which will need to be fully explored. For example:

- No value left for you or your beneficiaries when the property is sold
- With a home reversion scheme the money you receive may be less than the value of the property being sold

If you would like to discuss whether Equity Release may be suitable for you please contact:

Gill Moore

01934 637 909

moore@powellslaw.com

contact
01934 623 501
www.powellslaw.com

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7-13 Oxford Street
Weston-super-Mare
North Somerset BS23 1TE

Tel: 01934 623 501

DX: 8405

Fax: 01934 635 036

Email: info@powellslaw.com