

A guide to releasing money from your home

Your questions answered





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This guide is an overview of equity release and the different schemes available. It is also designed to answer any questions you may have.

Q: What is equity release?

A: Equity release allows you to release tax-free cash from your home for your retirement, without having to move house. Many thousands of people do this each year for different reasons – as a way of supplementing their income in retirement, maybe to go towards buying a house abroad or other large purchases such as a car, or as part of their inheritance tax planning.

Even though house prices can fluctuate over time, our home is still likely to be our single, largest asset. So it makes sense to think about it as a part of our retirement planning.

Moving or downsizing is an option and should be considered. But these would involve certain costs which need to be taken into account. In fact, many people find that when it comes to it, they would rather stay in their home.

Q: What types of equity release scheme are there?

A: There are two main types – Lifetime Mortgages and Home Reversion Plans. Before you decide, you should consider the differences between the two and the implications for your personal circumstances before you make any decisions. You will need to have paid off your mortgage or have a very small outstanding mortgage to qualify.

Lifetime Mortgages

A Lifetime Mortgage is a loan against the value of your property. You can get a one-off tax-free lump sum – or some schemes allow you to borrow smaller amounts at regular intervals as and when you need it. The amount you have borrowed plus any interest is paid back when your home is sold, either when you move into long-term care or you and your spouse die.

Plus

- You keep full ownership of your home
- You can take out Lifetime Mortgages from age 50 with some providers
- Your partner can live in the property until they have to move into long-term care or die if they jointly own the home
- You can take a tax-free cash lump sum or make regular withdrawals
- You still benefit fully from any price increases in your property
- It is regulated by the UK's financial watchdog, the Financial Services Authority, so you can be comfortable you are getting a trustworthy service and product

Minus

- It reduces the amount of money you leave as an inheritance (although with drawdown the amount you reduce it by can be managed by you)
- If you decide not to pay the interest, it will roll up and will grow as it is compounded
- If you pay interest you will need to make sure your income can cover the interest payments and any changes in interest rate if you choose a variable rate
- If you repay the loan early there may be charges to pay
- It could reduce the state benefits and long-term care options available to you – you will need to consider this when making a decision.

Home Reversion Plans

A Home Reversion Plan is when you sell part or all of your home to the provider of the scheme and in return, you get a cash sum and are guaranteed to be able to live in your home for life, typically rent-free.

Plus

- You don't have to make any monthly repayments
- The share of your house you still own can be left as an inheritance (unless you have exchanged 100% of it)
- You still get the benefit of any increase in your property value for the share of your home you still own
- You can usually release more money with a home reversion plan than a Lifetime Mortgage
- It is regulated by the UK's financial watchdog, the Financial Services Authority, so you can be comfortable you are getting a trustworthy service and product

Minus

- You don't own all or part of your home
- You cannot normally reverse the decision to have a Home Reversion Plan, as you have sold part of your home
- Generally, you cannot get further advances
- It could reduce the state benefits and long-term care options available to you – you will need to consider this when making your decision
- Usually the full value of your house is not taken into account to offset the fact you will live in your home rent-free

Q: Can I trust equity release?

A: You may have heard about the schemes that left many elderly people in financial difficulty in the 1980s. In 1990 these were withdrawn, and safer, regulated schemes are now available. You should check that:

- Your lender and adviser are regulated by the Financial Services Authority, the UK's financial watchdog.
- If you are taking an interest roll-up Lifetime Mortgage check that you have a 'no negative equity' guarantee which promises that your representatives will never have to repay your lender more than your property is sold for.

Q: Can we stay in our home?

A: With a Lifetime Mortgage you still own your home; with a Home Reversion Plan you will have sold all or part of your property – but you can stay in it for life. You have the right to remain in your home for as long as you choose – and if you are worried about what happens to a joint borrower if you die before them, don't be. They can stay in the property until they have to move into long-term care or die.

Q: What about changes in my circumstances?

A: If you take equity release while single and later decide to share the home, you may be able to transfer the scheme into your joint names, but this may only be possible if the second person meets the scheme's minimum age requirements. There may also be a charge for this. If you cannot transfer the scheme into joint names, the other person will not be able to stay in the home if you die or move into long-term care.

Q: What can I borrow and what does it cost?

A: What you can borrow

- How much you can borrow will depend on the provider, your age and the value of your home. The loan can be up to between 50% and 55% of the value of your property, (although for some schemes the full value of your home may not be taken into account). The older you are, generally the more equity you are allowed to release.
- If you are interested in taking out a drawdown Lifetime Mortgage, the facility agreed will be based on the initial valuation.

A: Costs

- For Lifetime Mortgages, interest rates will either be fixed or variable. The cost of the interest can roll-up, or you may be able to choose to pay as you go on an interest-only basis.
- You may also need to pay for valuations and solicitor fees – some providers cover this cost for you.
- You will still be responsible for the upkeep of your home with a Lifetime Mortgage as you still own the property.
- There may be costs associated with upkeep on your home, which you will still be expected to commit to for Home Reversion Plans, as the provider co-owns this with you.
- You may have to pay an arrangement fee and an early repayment charge or redemption fee if you repay your Lifetime Mortgage before the end of the contract.

Q: What if we want to move house?

A: With a Lifetime Mortgage, you can move your scheme with you to a new home (subject to lender criteria).

Q: What about leaving an inheritance?

A: Releasing equity from your home can reduce the amount you leave as an inheritance. That is why we suggest you involve family members in your decision, so you are clear about the implications. Some people however, release equity as part of their tax planning. An adviser can give you detailed guidance on this.



Q: How does the new Scottish Widows Bank Property Account compare?

A: Lifetime Mortgage?	✓
Home Reversion Plan?	✗
Flexible Drawdown option available?	✓
Tax-free cash sum option available?	✓
Regular payments available?	✓
Interest roll up option with no monthly repayments?	✓
Interest paid option?	✓
Regulated by the FSA?	✓
No negative equity guarantee?	✓
Move home and move the mortgage with you?	✓
24 hour online access?	✓
Ability to pay the loan off early if required?	✓

What should I do next?

You can find out what your options are and get professional advice from a regulated advisor who will help you choose the best option for your circumstances.

- Look at how equity release may affect any state benefits you could be entitled to.
- Whether there are other ways to access money which would be more beneficial for you.
- For unbiased information go to FSA Consumer website at www.moneymadeclear.fsa.gov.uk

We understand.
We'd like to see if we can help.

For more information:

- Call to arrange to speak to a Scottish Widows Adviser on **0845 845 0400***
- Visit www.scottishwidowsbank.co.uk
- Speak to your own **Financial Adviser**

*Lines open from 8am to 6pm Monday to Friday (Wednesdays from 10am).
Telephone calls may be recorded and monitored.



THIS IS A LIFETIME MORTGAGE. TO UNDERSTAND THE FEATURES AND RISKS ASK FOR A PERSONALISED ILLUSTRATION.

YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE.



Scottish Widows Bank plc. Registered Office: PO Box 12757, 67 Morrison Street, Edinburgh EH3 8YJ. Registered in Scotland no. 154554. Authorised and regulated by the Financial Services Authority. Our Financial Services Authority register number is 201601. Confirmation can be obtained by visiting the Financial Services Authority website at: www.fsa.gov.uk/pages/register/. The main business of Scottish Widows Bank is arranging, entering into and administering mortgages and accepting deposits.

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