Planning for the future

Helping your children to buy a home

Andrea's scenario

Many clients consider equity release because they want to support their loved ones. Andrea, a high-net-worth customer, wanted to help her children purchase their homes while managing her inheritance tax liability.

Andrea decided to gift her children £500,000 from her £2,650,000 home. To make sure that she was making the right decision for her and her family, Andrea opted to speak with an adviser before she proceeded.

With help from her adviser, Andrea decided to help her children financially by releasing equity. Her adviser accommodated her needs and involved her children in the process, ensuring they knew how equity release worked and what it meant for their future inheritance.



Name: Andrea

Property value: £2,650,000

Amount released: £500,000

A gift for the next generation

By releasing equity, Andrea was able to support her children and see them enjoy their early inheritance. This solution allowed her to support her family long-term, taking control of her financial situation by managing the inheritance she will leave behind and avoiding higher tax rates.



Benefits and drawbacks of equity release

The most common type of equity release is a Lifetime Mortgage.
It's important to consider potential advantages and risks when exploring this financial option.

Benefits:

- You'll receive a **tax-free lump sum** to spend however you choose.
- Providing you choose a Lifetime Mortgage from a member of the Equity Release Council, you will have a **no-negative equity guarantee**. This means you will never owe more than the value of your own home.
- Most lenders will allow you to make **optional repayments** to reduce the build up of interest on your loan. If you would like to make voluntary payments, speak with your adviser.
- You can choose between a **lump sum** and a **drawdown** product depending on your situation. With a lump sum, you will be able to access all the money you release at once, whereas a drawdown will allow you to leave a portion of your release in a reserve facility to access later.
- Unlike other equity release options, a Lifetime Mortgage will allow you to retain **full ownership** of your home.

Andrea chose to release equity after discussing with a qualified financial adviser and understanding how it would affect her situation. It's essential to consider all available options and how different equity release products will affect you.

Factors to consider:

- A Lifetime Mortgage is a loan secured against your home. It will reduce the value of your estate and could affect your entitlement to means-tested benefits.
- You must be a UK resident and homeowner aged 55 and over. If there are multiple homeowners, the youngest borrower must also be aged 55 or above.
- The interest on a Lifetime Mortgage will compound, meaning the amount you owe will increase over time. The interest rates will depend on your age, your home's value, the type of plan you choose, and the market rates at the time of your release.
- Be aware that you could incur additional costs in the equity release process, including advice, solicitor and lender fees.
- If you wish to move home, your new property will need to be approved by your lender.
- The FCA does not regulate some forms of tax planning.
- A Lifetime Mortgage is usually paid back in full with the sale of the property when the last borrower dies or enters long-term care.

This is a fictional scenario created for illustrative purposes and is not to be relied upon as financial advice by any person(s). The data included is based on previous cases from Royal London Equity Release. Royal London Equity Release do not guarantee that any case with this exact circumstance would be approved.

"Royal London Equity Release" is a trading name of Responsible Lending Limited. Responsible Lending Limited uses Royal London branding under licence from Royal London Marketing Limited. "Royal London", the "Royal London logo" and "Royal London Equity Release" are registered trademarks of The Royal London Mutual Insurance Society Limited. Responsible Lending Limited is authorised and regulated by the Financial Conduct Authority and is entered on the Financial Services Register under reference 763158. Registered in England and Wales under company number 09801855. Registered office: Princess Court, 23 Princess Street, Plymouth PL1 2EX. Responsible Lending Limited is a wholly owned subsidiary of the Royal London Group. Being a wholly owned subsidiary of the Royal London Group does not alter Responsible Lending Limited's regulatory responsibilities.

PDF 6 PD 0072