ROYAL LONDON

Divorce in later life

How equity release could help with dividing finances

Rose's story

Going through a divorce may be a daunting and emotional process which can be exacerbated by the added stress of separating financial assets from a long-term partner. This was the reality for Rose and Albert, who, after 30 years of marriage, decided to divorce.

Rose wanted to buy out Albert's 50% equity in their £240,000 property and remain in the home where she had spent years raising her family. Albert agreed to sell his share of the family home, providing that he received the equity owed to buy a new property. However, Rose didn't have the money in the bank to make this possible.

After considering and researching the options available, Rose discovered a solution she hadn't heard about before: equity release. She spoke with Albert and booked an appointment to discuss their situation with a qualified adviser. The adviser would be able to offer them tailored advice based on their individual circumstances.

Rose and Albert's adviser suggested that they could release £80,000 in equity from their property with a Lifetime Mortgage. By using the released equity, along with her £50,000 share of their joint savings, Rose would have the £120,000 she needed to buy Albert out, with a remaining £10,000 to cover any other associated fees.

A Lifetime Mortgage could potentially give Rose the flexibility to repay parts of her mortgage based on her retirement income. She understood that taking out a Lifetime Mortgage came with both benefits and potential risks, with the initial loan, plus interest, needing to be repaid when she passed away or moved into long-term care.

Rose chose to move forward with an application to release equity, believing it was the best option for her family in the long term. She was pleased to have found a solution that met both her and Albert's expectations.



Age: 60

Property value: £240,000

Amount released: £80,000

Joint savings: £100,000



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.

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 over 55 years old. If there are multiple homeowners, the youngest borrower must also be over 55.
- 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.

Rose 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 could affect you.

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