Making the most of retirement

Using equity release to finance a holiday home

Sally's scenario

Like others in retirement, Sally wanted to enjoy relaxing in the perfect home away from home. Her second property was a place where she could soak up the warm weather, immerse herself in local culture, and unwind. But to make her dream a permanent reality, Sally needed a long-term financial solution that would prevent her from losing her holiday home.

Sally enjoyed the flexibility that both her £2,000,000 UK property and her holiday home in Europe offered. When she realised that she was no longer eligible to renew the £500,000 existing mortgage on her European property, she needed to find a way to clear this existing loan and keep her house.

Sally talked with an expert adviser to find out more about her financial options. After considering multiple solutions, Sally decided that equity release was the right choice for her situation.



Name: Sally

Age: 70

Property value: £2,000,000

Amount released: £500,000

A place in the sun

By releasing equity and clearing her existing mortgage, Sally was able to enjoy both her properties in retirement. Providing that she maintains repayments to service the interest on her equity release mortgage, the amount that Sally owes on her UK property will not increase.



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.
- 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.

Sally 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.

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