Funding care solutions

Using equity release to help manage unexpected events

The Smith family scenario

The Smith family found themselves in a difficult situation when their son, Thomas, unexpectedly became ill. Thomas needed round the clock care, and the family struggled to afford it on the income from their final salary pensions. They needed to find a financial solution that worked in the short and long-term.

After looking into their options, the Smiths decided to investigate how equity release could work for them. They found that a Lifetime Mortgage would allow them to release a lump sum from the value of their property.

Their adviser then recommended a drawdown product, which meant that they could access an initial lump sum while holding a further amount in a reserve facility to release at a later date. This could give them the power to confidently plan ahead for their son's care.



Name: The Smith family

Age: Early 60s

Property value: £625,000

Amount released: £131,250

Improving Thomas's wellbeing

The Smith family decided to move forward with releasing equity, taking an initial lump sum of £70,000 and leaving a drawdown facility of £61,250. With support from an expert adviser, they could support their son when he needed them most.



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.

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

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