Busting those equity release myths

Equity release is a way of taking out cash from the value of your home, if you're aged 55 or over, without having to move. The type of equity release we offer is a lifetime mortgage, which is a long-term loan secured on your home. It's usually repaid using your home's value once you pass away or need long-term care.

The myths vs the reality

Let's debunk some of those myths and explain the reality behind each one.

You'll need to repay more than your home's worth

The first myth for us to bust. Years ago, this may have been the case with some equity release products. But thanks to the no negative equity guarantee on our lifetime mortgages, neither your family nor your estate will need to pay back more than your home's sold for, as long as it's sold for the best price reasonably obtainable.

You or your partner will be forced to move out when the other dies or goes into long-term care

This isn't the case. The loan will only need to be repaid when you die or move into long-term care. The loan is usually repaid from the money you get from the sale of your home. If you've taken out a joint lifetime mortgage the loan will only need to be repaid when the last borrower dies or moves into long-term care.

You'll be leaving your loved ones with nothing

A common misconception around equity release. What actually happens is, as long as your home's sold for the best price reasonably obtainable, whatever's left after the loan and interest have been repaid will go to your loved ones. However, they won't get as much in inheritance as they would have if there were no lifetime mortgage to repay. But when you apply for a lifetime mortgage, you can specify a minimum percentage of the sale price that you want to go to your estate, regardless of how much you owe. This is known as an inheritance guarantee.

It's worth noting that if you choose to do this, you won't be able to borrow as much. That's because the loan is based on your home's value without the percentage you've asked for as an inheritance guarantee. Alternatively, you can choose to repay the loan and interest in another way. Although most people tend to pay it off from the sale of their home, it's completely up to you.

You can't move

Just because you've taken a lifetime mortgage, it certainly doesn't mean you can't move home. You may be able to transfer your lifetime mortgage to your new property - as long as it meets the eligibility criteria. If your new property doesn't meet our eligibility criteria then you can still move to the new property but you will need to repay your lifetime mortgage in full. If you choose to move to a property that doesn't meet our eligibility criteria and you repay your lifetime mortgage then, depending on the value of your new home and, then for eligible customers, your reasons for moving, you may not need to pay an early repayment charge.

Releasing money from your home is a last resort

There are a number of reasons why you might be considering equity release. There may be a few things you want to do to spruce up your home, you may need a little help covering healthcare costs or you may want to support loved ones who are trying to get on the property ladder themselves. It could even be that you just want to make the most out of your retirement. As property prices have risen considerably over the years, your home could be worth more than it once was. So you can now use that extra value in your home to top up your retirement fund. With a lifetime mortgage, you can use your home to fund what's important to you.

Deciding whether to take a lifetime mortgage is a big decision. It's a good idea to speak to your family about your plans. It may affect them too, especially if it'll impact their inheritance. Your tax position and eligibility for means-tested benefits may also be affected.

To find out more about equity release, visit our website.

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