

## **What to consider when looking at Equity Release**

John Lawson – Head of Policy Aviva

### **What is Equity Release?**

Equity Release is really quite simple, it's about taking the value of your home and turning that into cash. It's really about releasing all that value you've built up during your lifetime that's saved through your house and releasing that as cash, it's as simple as that.

### **Does Equity Release mean leaving the home before you're ready?**

The biggest negative perception that people will hold of Equity Release is that they will lose their house before they die. So, they won't be allowed to live in their house if the money they've borrowed and the interest rolled up on that money exceeds the value of their house and at that point they will have to find somewhere else to live. That's not the case with modern Equity Release products. The Equity Release Council, of which Aviva is a member, sets benchmarks for Equity Release products and one of the key conditions is that you are entitled to live in your house until you die or until you go into long-term care if earlier.

### **Can an inheritance be left?**

Modern Equity Release products, including Aviva's Equity Release product, have the option for people who take Equity Release to have an inheritance option so they can pass on some of the value of their home to their children when they die.

### **Consider all your financial assets when retiring**

When you're considering all of your assets at retirement and how that's going to fund your lifestyle throughout retirement, probably your first assets to look at are your pension savings which have been specifically set aside to provide you with a retirement income. Then secondly look at your other financial assets, like cash you've got in your bank account, ISA's or other investments and after that then I think the value of the home begins to come in once you've exhausted those assets, or if those assets are not enough to provide you with the income you really need in retirement.

### **Is there any circumstance when you'll have to leave your home?**

I think people who are considering Equity Release need to understand how Equity Release works, or modern Equity Release works and that they shouldn't have the fear that they will not be allowed to live in their house if the interest builds up to such a level that it's worth more than the value of their house. Modern Equity Release product don't allow that to happen, you absolutely have the right to stay in your house for the whole of your life, until you reach long-term care if that happens earlier.

### **What are the key assurances when buying Equity Release products?**

When people are considering Equity Release it's important that they are comfortable with the product that's why the Equity Release Council insists that advice is given when any of its members sell an Equity Release product and that means that people should understand the ins and outs of the product and what happens as they live throughout their retirement. One of the big fears that people have is that they will lose their home through taking out an Equity Release product. If you're married or you're in a partnership you can take out a joint life Equity Release product which will mean that the survivor of the partner can stay in the home for as long as they live.