



**Equity Release**  
your essential guide



# Welcome

This guide has been put together to explain equity release, what it means and the options it can offer. We aim to give you as broad an overview as possible and to provide the information you'll need to explore if equity release is the right course of action for you.

There's a lot to learn about equity release today – it's changed a lot in the last 20 years, with more protection for customers than ever before. Taking out an equity release plan is still an important decision that should be carefully considered, just as the purchase of your home was. Take a look at equity release and see if it could enhance your retirement plans.

*“The service I received was excellent. Everything, the service and the people that've been to see me have all been absolutely fantastic.”*

**Mrs C, Greater Manchester**

## Why consider equity release?

- To top up your monthly income
- To help out children or grandchildren financially
- For home improvements
- For a big purchase, such as a long-haul holiday or a new car.

**With the Saga Equity Release Advice Service, provided by HUB Financial Solutions, the advice given to you is:**

- Impartial and honest
- Without charge or obligation to proceed
- Put together with your best interests in mind
- Based on your personal circumstances.

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We're members of



Read about the protection this gives you on page 9



# What is equity release?



Equity is the difference in value between how much your home is worth and any debts secured against it. If you've been living in your home for some time, it's likely that its current value is more than when you first bought it.

Equity release is a way of turning some of the value of your home into tax-free cash. There are two types of equity release. One is a lifetime mortgage, which is secured against your home. The other is a home reversion plan that involves selling part or all of your home. Either type could provide you with a tax-free cash lump sum, a regular income or both.

Both types of equity release allow you to remain in your own home for the rest of your life or until moving into permanent long-term care.

It's a big and important decision whichever type of plan you choose. There's lots to consider, such as the value of your estate which will be reduced if you proceed with equity release. This is why you can turn to the Saga Equity Release Advice Service for impartial advice that is best suited to you.

## Who can apply for equity release?

Depending on the plan and provider, anyone over 55 with a main residence in the UK worth more than £70,000 could be eligible. Properties with existing mortgages or even leaseholds can be considered but any existing mortgages or debt secured against your home must be cleared once equity release is taken out.

To get an idea of how much could be released from your home, use our online calculator at [saga.co.uk/money/equity-release/calculator](https://www.saga.co.uk/money/equity-release/calculator)

# How does equity release work?

**There are two main types of equity release. One is a lifetime mortgage and the other is a home reversion plan.**

## Lifetime mortgage

A lifetime mortgage is a type of loan secured against your home. It allows you to release a cash lump sum from the value of your property. The interest on the money you borrow is 'rolled up' throughout the life of the mortgage, or you can choose to pay some or all of the interest as you go along. With a lifetime mortgage, the amount you owe will continue to grow as interest accumulates and is added to the loan. If you choose a 'roll-up' lifetime mortgage, the amount borrowed and the interest that has built up are usually paid back in full from the proceeds of selling your home. The property is usually sold when the person named on the agreement and living there dies or moves permanently into long-term care. If a couple takes out a joint lifetime mortgage, the right to live in the property remains with the surviving partner.

Another key aspect of the lifetime mortgage is the flexibility offered by some providers. You can arrange to receive a lump sum, with interest calculated from day one. There is a 'draw down' option where you agree a total sum in advance but withdraw the money in smaller amounts, as and when you need it. With this option, interest is only added from the time each withdrawal is made.



## Home reversion plan

This arrangement does not involve a loan, instead a company buys all or part of your home and you continue to live in it rent-free, with no interest payments. The ownership of the property automatically transfers to the company when you die or move permanently into long-term care. If the company has only purchased a share of the property, it receives its share of the proceeds when it is sold and the remaining share is passed to you or your estate.

A home reversion plan is, in effect, selling your home in advance. If it increases in value, the company that purchased it (or part of it) from you will benefit from this increase in value. However you would also benefit from any rise in value of the portion that you still own. If you wanted to buy it back, it would be at the current market value and not what you sold it for. You should be aware that when you take out the plan you will continue to be responsible for maintaining all of your home. And you will receive less than the current market value of your home. This is because the reversion company cannot sell it until you die or move into permanent long-term care and so needs to protect itself against any potential loss in value.



# How we could help

**The Saga Equity Release Advice Service is here to offer the advice, information and guidance you need whether you're making initial enquiries or exploring your options.**

## Saga Equity Release Advice Service

Our advice service offers unbiased financial advice and is provided by equity release specialist HUB Financial Solutions. You can telephone us in the first instance with any questions and, if you want to find out more, we can arrange for a specialist adviser to review your individual circumstances and give you a personal recommendation. The adviser can do this by phone or in person at your home, where your family and friends are more than welcome to come and attend too.

### Stage 1 What your personal adviser will do for you:

- Assess your circumstances and see if equity release is right for you
- Explain all the advantages and disadvantages of equity release
- See if you are eligible to claim extra state benefits and whether releasing money would affect any existing benefits you receive.

### Stage 2 If equity release does seem suitable for you:

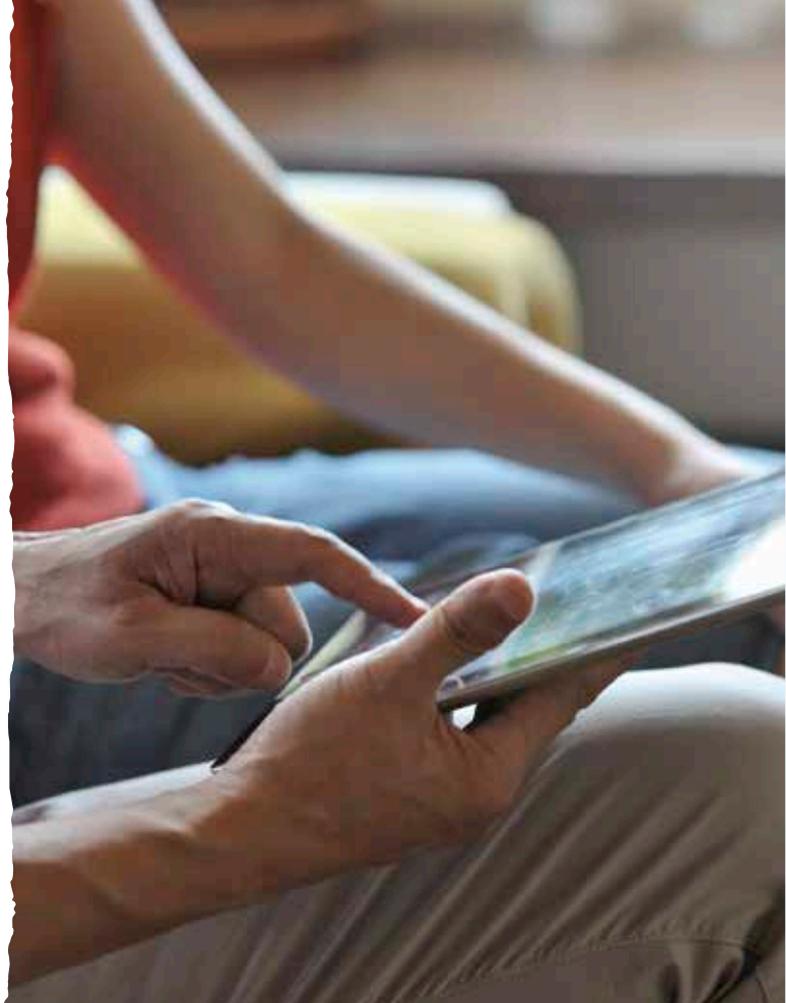
- You'll receive a detailed and thorough personal overview of your financial circumstances
- Your adviser will recommend the most suitable plan for you from a range of carefully selected providers
- You'll only be recommended products that ensure you or your beneficiaries will not have to repay more than the sale proceeds when the property is sold after you die or move into long-term care – even if this is less than the sum owed.
- Your adviser will explain how releasing equity will lower the value of your estate
- You're under no obligation to accept a recommendation or proceed with equity release.

To find out how much you could release visit [www.saga.co.uk/money/equity-release](http://www.saga.co.uk/money/equity-release)

## Saga Equity Release Plan

Your adviser can access many plans and providers but the Saga Equity Release Plan is available exclusively to users of the Saga Equity Release Advice Service. The key features of the Saga Equity Release Plan provided by Just are:

- Exclusively available to people aged 60 and over
- A flexible lifetime mortgage, secured against your home, with lump sum or 'draw down' instalment options
- No set-up costs or valuation fees. You will receive up to £425 towards legal fees. If the legal fees come to more than this, you will need to pay the difference. If you take out a different plan, you will need to cover the legal fees in full.



# How customers are protected

Today, the equity release industry is overseen by the Equity Release Council, which protects consumers and sets standards for providers.



Saga and its partners HUB Financial Solutions and Just Retirement Money Limited ('Just') are all members of the Equity Release Council. The Equity Release Council oversees the equity release industry and ensures its members and their advisers adhere to strict standards and principles. To protect people who take out equity release plans, it has put stringent safeguards and guarantees in place such as:

- Your plan will never leave your estate with a debt that is more than your home is worth when it is sold upon death or moving into long term care.
- You have the right to live in your home for life or until moving into permanent long-term care
- Your plan should be presented in a clear way with a thorough explanation of its costs, benefits and limitations
- All legal work is carried out by a solicitor of your choice
- You have the right to move your plan to another suitable property without any penalties (subject to the new property being acceptable to your product provider as continuing security for your equity release plan)
- The effect that equity release will have on your estate is clearly explained.



To find out how much you could release visit [saga.co.uk/money/equity-release](https://www.saga.co.uk/money/equity-release)

# The benefits of equity release

## Enjoy your money now

Equity release can provide a way to access some of the wealth in your bricks and mortar for you to enjoy today.

## No need to move home

With equity release, you could access some of the value tied up in your home without having to move. There is no need to downsize or go through the stress of relocating just to take advantage of your home's value.

*“We chose the Saga Equity Release Advice Service and from start to finish the process was very good, it was quick and we understood it all.”*

**Mr & Mrs M, Hampshire**

## Tax-free cash

Any equity you release from your home either as a lump sum or as further 'draw down' releases will not incur any capital gains tax or income tax.

## Maintain an inheritance

If ensuring that you are able to still leave an inheritance to loved ones is important, there are certain equity release plans that can factor in your wishes.

## Flexible plans

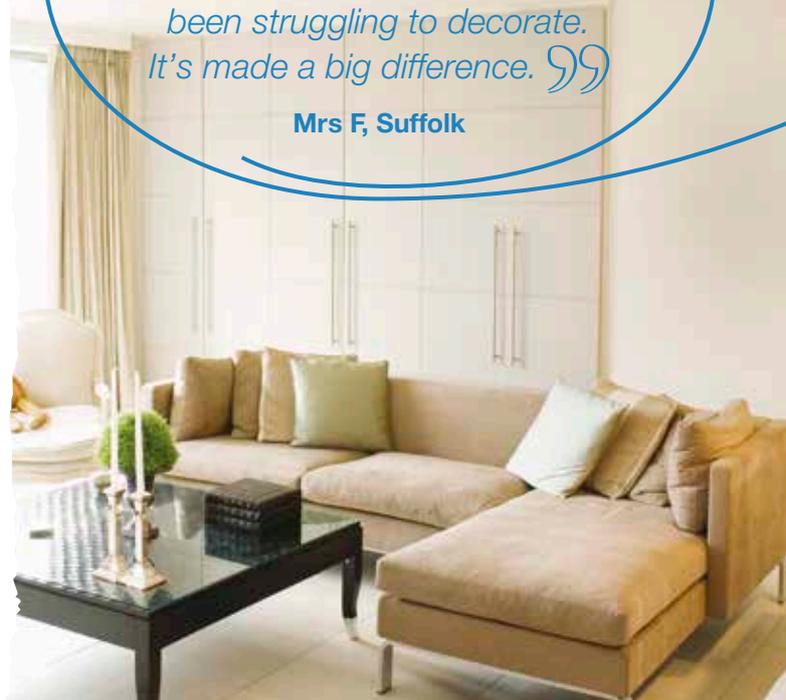
There is a wide variety of equity release plans that offer scope and flexibility. Your adviser can explore the possible options such as interest-only plans or those which allow you to make partial repayments so there is less debt to be paid off at the end.

## Things to consider

- While some plans may enable you to make provision for your family when you're gone, they may not be able to inherit your home or its full sale value
- An increase in your income might disqualify you from certain means-tested benefits
- There will be some legal proceedings to sort out, similar to when you buy or sell a house, which may involve some legal fees
- Your income could be adequately improved by checking you receive all the state benefits and grants you are entitled to
- Obtaining similar amounts of money could be possible by selling your home and moving to a smaller one
- If equity release is not suitable for you, your adviser will tell you and suggest possible alternative solutions
- There may be an early repayment charge if you settle the lifetime mortgage early, details of which will be explained to you.

“Without equity release I really don't know what I would have done. My son wouldn't have had the wedding he wanted and I would have been struggling to decorate. It's made a big difference.”

**Mrs F, Suffolk**



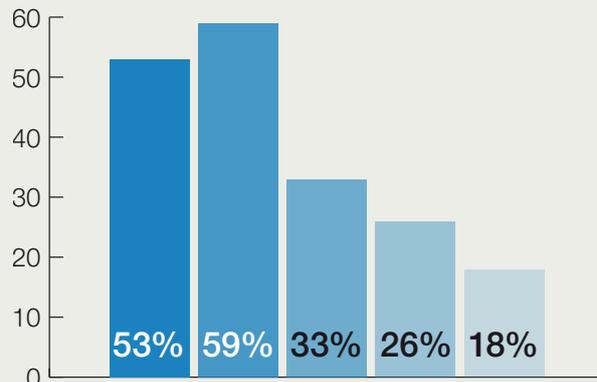
## Why do people use equity release?

People use the cash for all sorts of things in life. You could use your equity release to:

- Get your home just the way you want it with a brand new kitchen or bathroom
- Enjoy a round-the-world trip, cruise of a lifetime or pay a visit to relatives now living abroad
- Help out your nearest and dearest with a deposit for their first home or cash to help furnish it
- Upgrade your car to something larger for taking grandchildren out and about
- Ease financial pressures\*.

\*Consolidating existing debts using equity release could end up costing more in the long term.

## What our customers use equity release for



- Manage existing debt\* - 53%
- Home improvements - 59%
- Holiday - 33%
- Car - 26%
- Gift to family - 18%

Saga customers' stated intended purpose of equity release survey, January - March 2017 by HUB Financial Solutions. Some use the money for more than one purpose.

## How equity release could be used

### Fictional example...

Mr and Mrs Adams are in their early 70s and have lived in their home for 25 years. Their home is now worth £318,570\*, much more than the £112,000 they paid for it. They want to modernise their kitchen and bathroom but, now retired, they have a lower income. After taking specialist advice, they took out a lifetime mortgage to free up £25,000 to upgrade their home and £15,000 to visit relatives in Australia. They also arranged an option to withdraw a further £65,128 in the future.

The compound interest is added to the value of the loan, which is paid off when they die or move permanently into long-term care. Interest is only charged on the money as they withdraw it, not the full amount that is agreed.

### Fictional example...

Mr and Mrs Thompson are in their early 60s and have been in their home for 23 years. Purchased for £91,000, it is now worth £263,212\*. The couple are still making payments on their mortgage and, on their current retirement income, have to budget very carefully each month. Discovering it costs nothing to consult with an adviser from the Saga Equity Release Advice Service, they decided to find out more. After their meeting, Mr and Mrs Thompson decided to take out a lifetime mortgage and released £60,538. They used £30,500 to repay their existing mortgage and current debts†, which in turn, freed up their monthly income. With the remainder they were able to give money to their children.

\*Fictional accounts based on sources: Original and current house prices – Nationwide House Price Index North West England Q1 2017. This data is based on movement in the price of a typical property in the region. Release amounts based on Just Drawdown Lifetime Mortgage April 2017. †Consolidating existing debts using equity release could end up costing more in the long term.



# Frequently asked questions

## Will I still own my home?

If you take out a lifetime mortgage the property remains in your name, as it would be with a conventional mortgage.

However, if you take out a home reversion plan, the reversion company will own all or part of your property, although you can continue to live there for the rest of your life.

## Are there any alternatives to equity release?

Equity release involves borrowing against (lifetime mortgages) or selling all or part of your home (home reversion plans) and there may be more suitable methods of raising the funds you need. For example, making sure you are receiving all the state benefits you are entitled to, or moving to a smaller property. Your adviser will go through any suitable alternatives with you.

## How much does it cost?

Costs will vary depending upon the provider, a rough estimate to set up a scheme being between £2,000 and £3,000<sup>†</sup> plus any fee you may have to pay your equity release adviser. The costs involved include set-up, valuation and legal fees, which will also vary depending on the plan. Remember that with the Saga Equity Release Advice Service there is no fee for the advice. You can add the cost of other related fees to your loan so that you don't have to pay anything up front.

If the Saga Equity Release Plan (see page 8) is recommended, there are no valuation or set-up fees and you will receive £425 towards legal fees paid to your solicitor on completion. If the legal fees come to more than this, you will need to pay the difference.

If equity release is suitable, but this plan is not, the adviser will recommend a plan from another provider, who may apply valuation, set-up and legal fees.

<sup>†</sup>Equity Release Council website, FAQs, April 2017.

## Will I be able to leave an inheritance to my children?

Although equity release could enable you to help your family whilst you are still living, it will reduce the value of your estate and the amount that will go to your beneficiaries on your death.

The adviser will assess the likely effect on the value of your estate. However, it will not affect any other money that you may leave as part of your inheritance – for example, from savings or life assurance policies.

With a lifetime mortgage, if your home sells for more than you owe, the excess could form part of your estate.

You could protect some of the value of your estate by choosing a lifetime mortgage where you make interest repayments. This means that the amount owing at the end of the loan will be less than if no interest payments were made during the term of the loan.

With a home reversion plan, you know exactly what proportion of your home's value will be left to your loved ones.

## Will equity release affect my state benefits?

The Saga Equity Release Advice Service includes a full review of your entitlement to state benefits and you may find you are eligible for additional benefits. You should also be aware that you may have your benefits lowered or withdrawn if your wealth increases significantly as a result of taking out equity release.

## How long will it take to get my money?

It normally takes three to four months from your first contact to the time you receive the money. This includes the time taken for your adviser to assess your situation fully, make their recommendations and for you to then make a decision.

**Additional questions and answers can be found on our website [saga.co.uk/money/equity-release](https://www.saga.co.uk/money/equity-release), or call 0800 056 6070 and arrange to speak to an adviser.**

### **Other Saga Money products include...**

#### **Savings accounts**

Make the most of your money with Saga Savings, provided by Birmingham Midshires.

#### **Stocks and Shares ISA**

Keep more of your profits and pay less in tax and commission fees, and no annual fees. Provided by Equiniti Financial Services Ltd.

#### **Saga Credit Card**

The ideal travel companion whether you spend at home or abroad. Provided by Allied Irish Banks plc.

#### **Saga Personal Loans**

Straightforward unsecured loans with one rate of interest. Provided by Shawbrook Bank Limited.

#### **Share dealing**

Competitive commission rates, no annual fees and a wide range of investments to choose from. Provided by Equiniti Financial Services Ltd.

#### **Care funding advice**

Specialist care funding advice to help those paying their fees privately. Provided by HUB Financial Solutions.

#### **Annuity service**

If you are retiring soon you may be able to get more income through the Saga Annuity Service, provided by Legal & General.

For more information on any of these products visit our website [saga.co.uk/money](https://saga.co.uk/money)

To find out more about equity release and the Saga Equity Release Advice Service visit [saga.co.uk/money/equity-release](https://saga.co.uk/money/equity-release)

To find out more or book a no-obligation appointment call the Saga Equity Release Advice Service on

**0800 056 6070**

Lines are open 9am–5pm, Monday to Friday, excluding bank holidays. Calls may be monitored or recorded.

The Saga Equity Release Advice Service is provided by HUB Financial Solutions Limited, who will pay us an introductory fee if you decide to take out a plan. The Saga Equity Release Plan is provided by Just. Just is a trading name of Just Retirement Money Limited. Saga Personal Finance is a registered trading name of Acromas Financial Services Limited, which is registered in England and Wales (Company No.3023493). Registered office: Enbrook Park, Sandgate, Folkestone, Kent CT20 3SE. Acromas Financial Services Limited, HUB Financial Solutions and Just Retirement Money Limited are authorised and regulated by the Financial Conduct Authority.