



Where next?

Explore your options with
our essential guide to
equity release

SAGA

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Welcome...

to a lifetime of possibilities

We all have different interests and ambitions in life, but it's not always possible to pursue these as fully as we'd like if we have other financial priorities. That's why more and more people who've owned their homes for a number of years are choosing equity release – a way of unlocking tax-free cash from the value of their homes to spend on almost anything they choose.

So if you're thinking about how to fund a holiday of a lifetime, pay for home and garden improvements, help out loved ones, or simply do more of the things you enjoy – there could be a number of equity release options available to you. Equity release can also be considered alongside other traditional forms of retirement income such as annuities or pensions, making it a viable option for financing later life in the long term.

We know it's not a decision to be taken lightly. That's why we've put together this guide explaining what equity release is and how it could help, the different types and how you're protected, and what to do next if you'd like to explore your options further.

There are lots of benefits to releasing cash from your home, but it isn't right for everyone as it will reduce the value of your estate, so it is vital to gain expert advice.



Equity release essentials

We want to help you understand the facts and dispel any concerns you might have about equity release. Let's begin with the basics...

What exactly is it?

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 a number of years, it's likely that the value of your property is substantially more than when you first bought it.

Equity release is a way of turning some of the value built up in your home into tax-free cash.

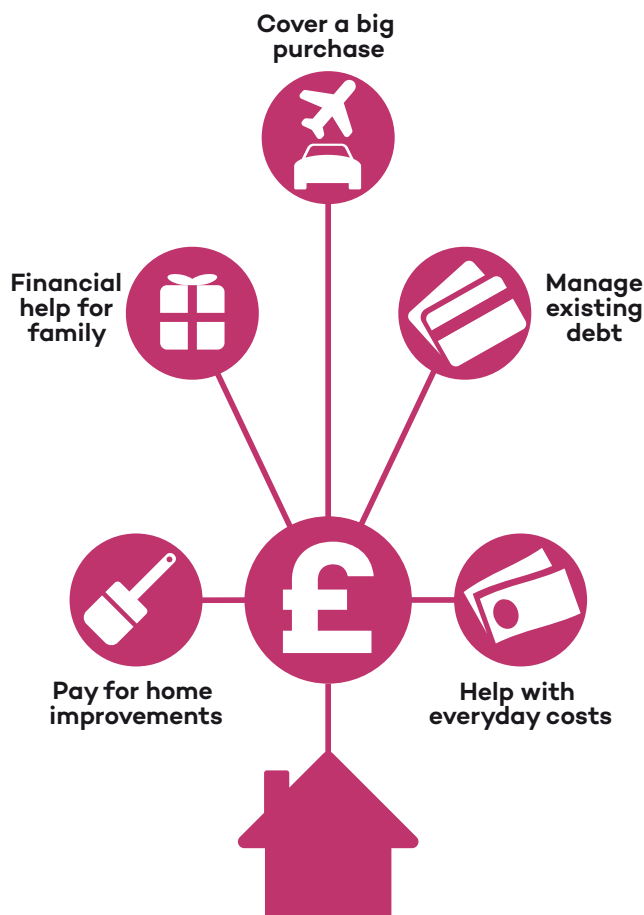
There are two basic types of equity release to choose from. One is a lifetime mortgage, which is a loan secured against your home; the other is a home reversion plan, which involves selling part or all of your home. Read more about the different options on pages 6 and 7.

Who can apply?

Anyone aged 55 or over with a main home in the UK worth £70,000 or more could be eligible for equity release. Even existing mortgage holders can be considered as long as all outstanding debts secured against their home are cleared at the time of taking out equity release, either by the cash released or by other means. Using equity release to repay an existing mortgage or other debt may cost more in the long term.



Why consider equity release?



What are the benefits?

- You can continue to live in your current home
- The cash you release is tax free
- You can take out a lump sum to spend as you wish
- Some equity release products enable you to receive regular payments
- In most cases, there are no monthly repayments – the debt will usually be repaid from the proceeds of the sale of your property when you die or move permanently into long-term care
- If your equity release is arranged with a no negative equity guarantee and you keep to the terms of your agreement, you or your beneficiaries will never have to repay more than the sale proceeds of your home even if this is less than the amount owed
- Equity release is regulated by the Financial Conduct Authority meaning there are rules and standards that must be adhered to.

What are the risks?

- The value of your estate will be reduced leaving less money for your beneficiaries on your death
- Any means-tested benefits you receive may be affected by equity release – your adviser will check this for you before recommending a product
- If you use equity release to manage existing debt, it could cost more in the long term
- Interest on lifetime mortgages will continue to grow over time.

Why choose Saga?

The **Saga Equity Release Advice Service**, who you'll get through to if you call the number on these pages, is provided by **HUB Financial Solutions Limited**. The team has been advising on equity release since 2006 and has helped more than 19,000 Saga Equity Release Advice Service customers release equity from their homes. The adviser will only recommend a product if it is suitable for you. If you're aged 55 or over, they may recommend one of Saga's exclusive products (see pages 8 and 9), which are provided by **Just**, one of the UK's leading providers of lifetime mortgages.

The team will give you targeted detailed advice for your personal situation, so you know it is tailored exclusively for you. They will take you through the whole process from start to finish.

The Saga Equity Release Advice Service, HUB Financial Solutions Limited and Just are all members of the Equity Release Council, which oversees the industry and puts safeguards in place for customers.



Two ways to make your property pay

You can either take out a long-term loan secured against your home, or sell all or part of it using a home reversion plan.



Lifetime mortgage

Money can be borrowed against the value of your home in what's called a lifetime mortgage. Unlike a normal mortgage, you don't have to make monthly repayments (although with some products you can choose to pay some or all of the interest each month – see the Saga Equity Release Plan on page 8). In most cases, the loan plus the interest charged on it is repaid from the proceeds of the sale of your property when the last person named on the agreement and living there dies or moves permanently into long-term care.

With a lifetime mortgage you can take out all the money available to you in one go, or release smaller amounts as and when you need them. You could even receive ongoing tax-free monthly payments with the Saga Regular Drawdown Lifetime Mortgage (see page 9 for more details). Some customers may be able to release a higher value of equity with an 'enhanced' lifetime mortgage – this is dependent on lifestyle and medical factors, such as your blood pressure and whether you smoke.

How much of a cost these options are to your estate in the long term depends on the interest rate you pay, and the amount and length of time of the loan. An adviser will explain the advantages and disadvantages of a lifetime mortgage when you speak to them.

Key features:

- You can release a one-off tax-free amount or a number of smaller tax-free amounts as required
- Your lifetime mortgage will accumulate interest over the full period of the loan
- You can continue to live in the home you love
- Your entitlement to means-tested benefits could be affected if you release equity
- The value of any remaining equity will increase or decrease with the value of your home, but the value of your estate overall will reduce.

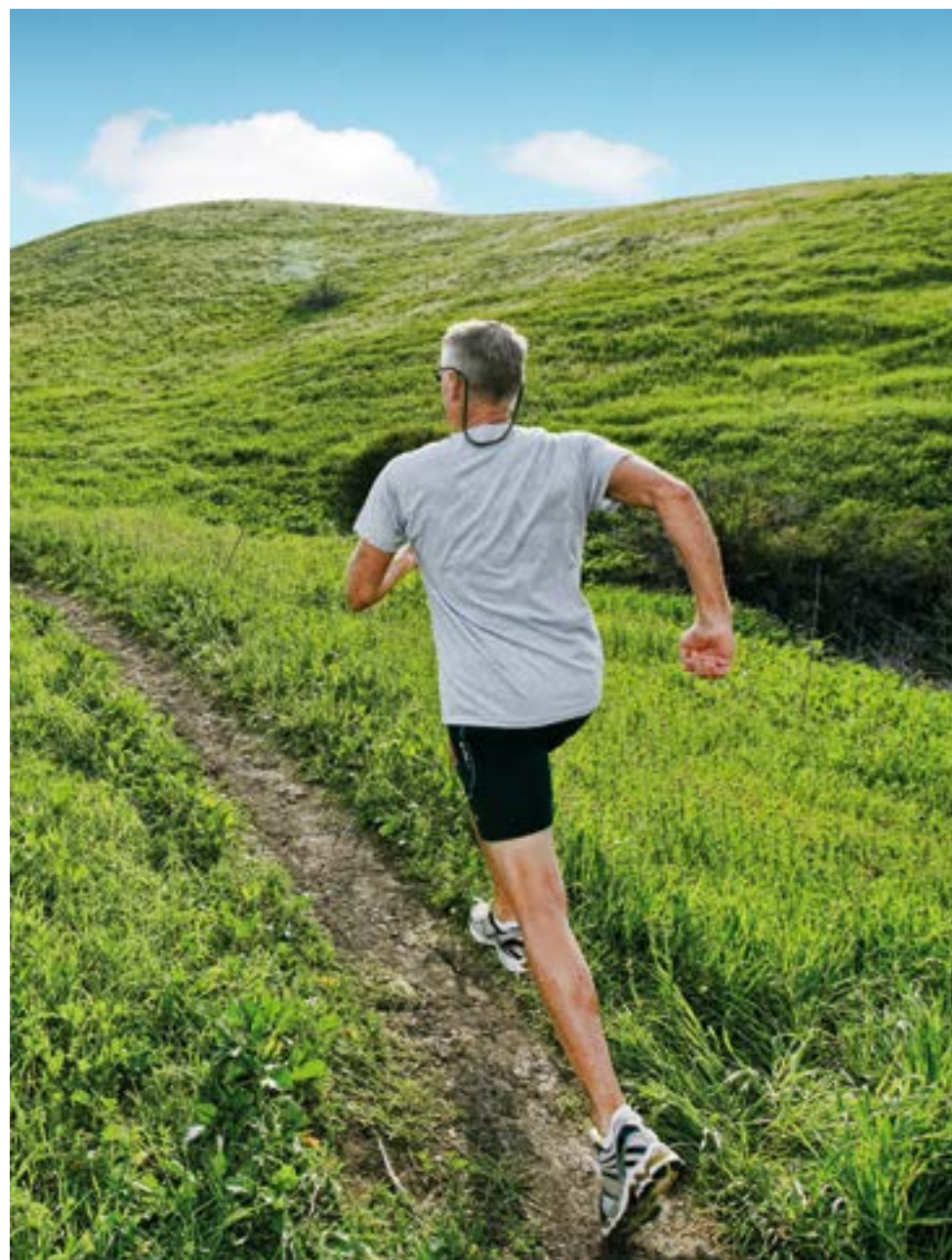
Home reversion plan

You can sell part or all of your home to a reversion provider and continue to live there rent free. When the last person named on the agreement and living there dies or moves into permanent long-term care, the ownership of the property transfers to the provider. However, if you only sold a proportion of your home to the provider, they will receive an equivalent proportion of the proceeds of the property when it's sold, with the remaining proceeds being passed on to you or your estate.

You can usually release higher amounts of cash with a home reversion plan than with a lifetime mortgage, but you'll receive less than the market value of the property because the reversion company will want to avoid any potential loss in value during the time you remain in the home.

Key features:

- You can release a one-off tax-free amount or a number of smaller tax-free amounts as required
- You won't pay any interest as home reversion is a sale rather than a loan
- You can sell a proportion of your property, but you'll receive less than the current market value for it
- You can continue to live in the home you love rent-free
- Your entitlement to means-tested benefits could be affected if you release equity
- The value of any remaining equity will increase or decrease with the value of your home, but the value of your estate overall will reduce.



Exclusive Saga products

Our improved Saga Equity Release Plan now gives you the option to pay some or all of the interest each month and reduce the overall amount added to the loan. And our Regular Drawdown Lifetime Mortgage gives you more flexibility in retirement.

The Saga Equity Release Advice Service team has access to a range of equity release products from a number of different providers and will always recommend the product best suited to your circumstances and goals. Two of the products they can offer are provided by Just, and are available exclusively to users of the service.

You don't pay anything upfront to use the Saga Equity Release Advice Service. You can get all the personal, no-obligation advice you need, and you pay an advice fee of £750 only if you complete on a recommended equity release product. And if you're a member of Saga's Possibilities programme, one of the benefits is that you don't have to pay the advice fee at all.

Saga Equity Release Plan

This flexible lifetime mortgage might be recommended to you if you're aged 55 or over and have a suitable UK property worth £70,000 or more. You can choose between borrowing the maximum amount available as a one-off lump sum or opt for a smaller amount initially followed by additional amounts at later dates from a pre-agreed limit.

Another choice you now have with the Saga Equity Release Plan is whether to pay some or all of the monthly interest. Not only will this interest payment option reduce the overall cost of the lifetime mortgage loan, you may also receive a reduction from the roll-up interest rate which will be detailed in your offer documentation. You will also have the option to take a payment holiday of up to three months during any 12-month period.

Case study

The example below shows how interest accumulates on the Saga Equity Release Plan over a 20-year period comparing roll-up interest to other interest payment options now available. It's based on a 68-year-old borrowing a lump sum of £100,000 (on a property valued at £335,000).

	Roll-up interest	Paying 50% interest	Paying 100% interest
Monthly interest rate %	3.20%	3.00%	3.00%
AER % fixed	3.25%	3.04%	3.04%
Total debt (after 20 years)	£189,583.79	£141,037.76	£100,000
Total interest paid (after 20 years)	£0	£30,000	£60,000

Figures are correct as of 4 March 2021. The interest rates are 3.00%-3.20% monthly (AER 3.04%-3.25%) fixed. Interest rates used for illustration purposes only. The actual rate charged will be at the prevailing rate at the time of each advance. The rates quoted assume no cash facility. Projections in the examples do not include fees. The loan projections may differ if fees are added to the loans.

Saga Regular Drawdown Lifetime Mortgage

This type of equity release product is available to people aged 60-80 with a UK property worth at least £150,000. The Saga Regular Drawdown Lifetime Mortgage combines an initial tax-free lump sum payment with ongoing tax-free monthly payments, making it a possible option if you're looking to supplement your income in retirement. Because interest is only charged on money as it's released, it accrues at a slower rate than a standard lifetime mortgage so there is likely to be less to repay in the future.

The maximum amount you can borrow depends on your age, location and the value of your property. There's no obligation to take the maximum amount – you might choose a small monthly payment of at least £200 for a few years, or perhaps you'd like a bigger lump sum at the beginning. There's also an opportunity each year to change the monthly amount. Above all, the product's designed to suit you and your changing needs.

If you take out one of these exclusive Saga products through the Saga Equity Release Advice Service, you won't have to pay any set-up costs or valuation fees, and you will receive £425 towards your legal fees.

“ We took out equity release to help us release some cash for home improvements and give us more choice with our finances. The adviser was very thorough, dealing with all our questions quickly and efficiently. We couldn't praise her enough. ”

Mr & Mrs Wakeling, Kent





“ I’m extremely satisfied with the service I received. My adviser was able to explain equity release in an easy to understand way and he has the right knowledge to deal with my enquiry.”

Stephen, West Bromwich

Equity release – step by step

Find out what happens at every stage of the equity release process.

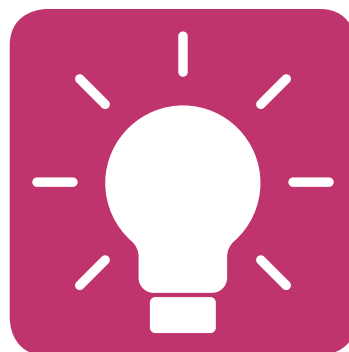
Calculation



Work out how much

Use our online calculator at saga.co.uk/calculator or phone **0800 056 6070** to find out how much equity you could release. Someone from the Saga Equity Release Advice Service (provided by HUB Financial Solutions Limited) will then contact you to ensure your details are correct and address any initial questions or concerns you might have. They can also set up an appointment for you with an adviser.

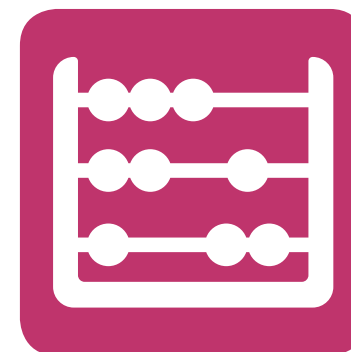
Discussion



Talk through your options

If you're ready to go further, your adviser will assess your circumstances and go through your options – all with no obligation. They'll also check that you're receiving all the state benefits you're entitled to and whether these might be affected by equity release. If your eligibility and suitability for equity release is approved, your adviser will tell you what they recommend.

Tax-free cash



Finalise the details

Your adviser will give you a detailed overview of your financial circumstances as well as recommend a product if there is one suitable for you. As part of this process, you'll be advised how releasing equity will lower the value of your estate. If you choose to go ahead, your adviser can help you to complete the paperwork. Once all the legalities are completed your cash will be released.

You don't pay anything upfront to use the Saga Equity Release Advice Service. You can get all the personal, no-obligation advice you need, and you pay an advice fee of £750 only if you complete on a recommended equity release product. And if you're a member of Saga's Possibilities programme, one of the benefits is that you don't have to pay the advice fee at all.

How you're protected

As well as being regulated by the Financial Conduct Authority, the equity release industry is overseen by the Equity Release Council, which sets additional standards for providers. The Saga Equity Release Advice Service, HUB Financial Solutions Limited and Just are all members of the Equity Release Council, which means if you take out any product through our advice service you are protected in the following ways:

- Equity release will never leave your estate with a debt that is worth more than the sale price of your home when you die or move into permanent long-term care. In other words, there is a 'no negative equity' guarantee.
- You have the right to live in your home for life or until you move into permanent long-term care, provided you follow the terms and conditions of your contract.
- For lifetime mortgages, interest rates must be fixed or, if they are variable, there must be a 'cap' or upper limit, which is fixed for the life of the loan.
- Your equity release product will be presented in a clear way with a thorough explanation of its costs, benefits and limitations.
- You can choose your own solicitor to carry out all legal work.
- You have the right to move your equity release product to another suitable property without any penalties. For a property to be suitable, it needs to be acceptable to your provider as continuing security for the lifetime mortgage or home reversion plan.
- The effect that equity release will have on your estate will be clearly explained by your adviser.



Home truths about equity release

There are some important points you should be aware of before proceeding with equity release, all of which can be discussed further with your adviser when you meet.

- While some products 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.
- Equity release could mean certain means-tested benefits are affected.
- There will be some legalities to sort out, similar to when you buy or sell a house, which may involve paying legal fees.
- Obtaining similar amounts of money could be possible by selling your home and moving to a smaller one.
- Your income could be adequately improved by checking you receive all the state benefits and grants you're entitled to.
- With a lifetime mortgage, you can choose to repay the interest monthly or add it to the loan amount. Remember that the amount you owe will continue to grow as interest is applied over the long term.
- There may be an early repayment charge if you have a lifetime mortgage and choose to settle it early. This will be explained to you before you take out a product.



Frequently asked questions

If you can't find your question here or the answer still leaves you a little uncertain, call the Saga Equity Release Advice Service free on 0800 056 6070.

Will I still own my home?

If you take out a lifetime mortgage, the property remains in your name, as it would with a conventional mortgage. However, if you take out a home reversion plan, the reversion company will own all or part of your property on the understanding that you can continue to live there rent-free for the rest of your life.

Are there any alternatives to equity release?

Yes, and your adviser will discuss these with you. Some possibilities might be to move to a smaller property, rent out a room in your current home, or ask for help from your family. The adviser will also make sure you're receiving all the state benefits you're entitled to.

How much can I release?

The amount you can release depends on your age and the value of your property. You can get an idea of how much this might be by using our equity release calculator at saga.co.uk/calculator.

Can I take out equity release if I still have a mortgage?

It depends on the value of your home and the amount remaining on the existing mortgage. Any outstanding mortgage secured against your home will have to be paid off at the same time as taking out equity release.

How much does it cost?

The costs involved include set-up, valuation and legal fees, and these vary depending on the provider and the type of product you choose. With a lifetime mortgage, you can add some of the fees to your loan to avoid too many upfront costs.

You don't pay anything upfront to use the Saga Equity Release Advice Service. You can get all the personal, no-obligation advice you need, and you pay an advice fee of £750 only if you complete on a recommended equity release product. And if you're a member of Saga's Possibilities programme, one of the benefits is that you don't have to pay the advice fee at all.

If the Saga Equity Release Plan or the Saga Regular Drawdown Lifetime Mortgage (see pages 8 and 9) is recommended by your adviser, there are no valuation or set-up fees and you will also 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.

How much will I owe?

With a lifetime mortgage, the amount that will need to be repaid depends on the amount of equity you release, how long you've had the loan, the rate of interest charged and any fees added. If you repay the loan early, an early repayment charge may apply.

A home reversion plan isn't a loan and so it won't accumulate interest. Instead, the provider will receive the agreed proportion of the property value when it is sold following your death or permanent move into long-term care.

Can I move house?

Generally, yes. Many products can be transferred to a new home as long as the property is acceptable to your provider as continuing security for the equity release product. With a lifetime mortgage, if your new property is worth less than your old home, you may have to repay some of the outstanding loan.

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

Equity release could enable you to help your family while you are still living, but it will reduce the value of your estate and therefore the amount that will go to your beneficiaries on your death. Your adviser will assess how this is likely to affect the value of your estate.

With a lifetime mortgage, if your home sells for more than you owe, the excess would form part of your estate. You could protect some of the value of your estate by choosing a lifetime mortgage with interest payments, thereby reducing the amount of interest that accumulates over the full 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, but not the amount this will be worth.

Equity release will not affect any other money you leave as part of your inheritance – for example, from savings or life assurance policies.

Am I at risk of negative equity?

Your adviser will only recommend products that meet the standards of the Equity Release Council. These come with a guarantee that when the property is sold after you die or have moved into permanent long-term care, you or your beneficiaries will not have to repay more than the sale proceeds even if this is less than the amount owed.

How long will it take to get my money?

Once you've chosen a product and the application has been accepted by the provider, it will typically take 6-8 weeks until you receive the money. This is normally three to four months from your initial contact with the Saga Equity Release Advice Service, taking into account the time it takes for your adviser to assess your situation fully, make their recommendations and for you to then make a decision.

Where can I read more?

Saga Magazine has regular features on equity release. Go to www.saga.co.uk/magazine and search for 'equity release'.

For more information on Saga Personal Finance visit our website at

saga.co.uk/money

To find out more about equity release and the Saga Equity Release Advice Service visit

saga.co.uk/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 are monitored for training and regulatory purposes.

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 product. The Saga Equity Release Plan and the Saga Regular Drawdown Lifetime Mortgage are provided by Just. Just is a trading name of Just Retirement Money Limited. Saga Personal Finance is a registered trading name of Saga Personal Finance Limited, which is registered in England and Wales (Company No. 3023493). Registered office: Enbrook Park, Sandgate, Folkestone, Kent CT20 3SE. Saga Personal Finance Limited is authorised and regulated by the Financial Conduct Authority. HUB Financial Solutions Limited and Just Retirement Money Limited, both part of Just Group plc, are authorised and regulated by the Financial Conduct Authority. Saga's Possibilities membership programme is not a regulated product.