

# Five common myths about equity release

## Let's bust those myths!

Equity release can be a great choice for some homeowners over the age of 55 to borrow money – but it's gained a reputation due to unregulated lending that happened in the 80s and 90s.

This has led to many misunderstandings about how equity release may affect individuals in the modern world, yet today's products are significantly different from what was available in the past.

Let's debunk some of the common myths of equity release to help you make an educated decision about your financial future.

There are two types of equity release options: home reversion or a lifetime mortgage. For the purposes of these myths, we are talking about a lifetime mortgage. A lifetime mortgage is a long-term loan secured on your home that allows you to release a tax-free cash lump sum.

Unlike a standard residential mortgage, you don't have to make monthly repayments; instead the interest builds up on the loan each year. Interest is charged on the total borrowing and any interest previously added, which quickly increases the amount owed. The loan and interest are repaid in full, usually from the sale of your home when you die or need long-term care, subject to terms and conditions. Your eligibility for means-tested benefits and tax position may be affected.

### 1 'I won't own my own home'

There's no need to worry about losing your home because of equity release. If you choose to take out a lifetime mortgage, you are still the owner of your house and the property stays in your name.

The Equity Release Council is a voluntary body which aims to ensure that its members (financial advisers and product providers) are highly professional and act with integrity and transparency in offering high-quality products and services to customers. It sets standards and principles for its members to ensure that equity release products remain safe and reliable for customers.

One of the product standards that members must meet is giving you the right to remain in your property for life or until you move into long-term care. Providing the property remains your main residence, you'll remain the legal owner until your property is sold.

## 2 'I won't be able to leave any inheritance for my family'

Some people use the cash they've released from equity release to gift their children or grandchildren a living inheritance. Offering your family financial support means you can share those precious moments with them. This could be helping them get onto the property ladder or through university.

Alternatively, when you apply for a lifetime mortgage you can leave a percentage of the value of your home by adding an inheritance guarantee. If you choose this option, you won't be able to borrow as much because the loan amount will be based on the proportion of your property's value that's not guaranteed. It's important to understand that the inheritance you are able to leave will still be reduced.

## 3 'If I die there'll be a lot of debt from the lifetime mortgage that could then be the responsibility of my family'

All members of the Equity Release Council will offer a product which has the 'no negative equity guarantee'. This means that when your property is sold, and agents' and solicitors' fees have been paid, even if the amount left is not enough to repay the outstanding loan to your provider, neither you nor your estate will be liable to pay any more. Provided that it is sold for the best price reasonably obtainable. Normally, your family will have 12 months to begin the house sale and repay the lifetime mortgage. Until they repay the outstanding balance in full, it will continue to accrue interest. If the property market changes and your home is worth less than the amount you borrowed, the guarantee means the equity release provider will write-off any remaining debt when your estate sells your property.

## 4 'It's unregulated and risky'

In the UK, the Financial Conduct Authority regulates all equity release products, and advisers must get permission and be qualified to provide financial advice to customers. It's your adviser's role to act in your best interests at all times. They follow codes of conduct and can only sell you regulated products.

Providers who are members of the Equity Release Council should offer products which meet the following product standards:

- ✓ A fixed rate of interest for each loan that you take
- ✓ The right to remain in your property for life or until you need to move into long-term care, subject to terms and conditions
- ✓ The option to move to another property subject to your new property being acceptable
- ✓ The product must have a "no negative equity guarantee"
- ✓ The right to make penalty free repayments, subject to the providers lending criteria

Your provider is only allowed to tell you that their product meets the product standards if it meets all of them.

## 5 'It's too complicated to understand'

It's important to understand the whole picture before you sign on the dotted line and there is a lot to consider with a lifetime mortgage. You're not alone in making this decision as you'll need to speak to an equity release adviser and a legal adviser – the advice provided will check if a lifetime mortgage is the right outcome for you and your circumstances.

### An adviser can help you make sure it's the right choice for you

Equity release is a financial commitment you should enter into with full understanding. Working with a trusted equity release adviser means you will only go down this route if it's the right one for you. It's important to consider the benefits and risks before deciding whether a lifetime mortgage is right for you.

Take your first step to learning more about equity release with Aviva. We've got plenty of support available including specialist advice, guides, our dedicated free phone line and more. Aviva only offer a lifetime mortgage.

### Your next steps

Equity release may not be the best choice for everyone – but for some people, unlocking money tied up in property can make a real difference to their lives.


### Talk to your adviser about a lifetime mortgage from Aviva.

It takes Aviva to help you live the life you want.

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