

Getting Family Involved in Equity Release

Taking out a lifetime mortgage, which is a type of equity release, is a big decision to make and will reduce the amount of inheritance you can leave. Because of this, we feel it's important to involve your family in making this decision. This document can help to answer some of the questions you or your family may have.

Unlocking cash from your home

There are several ways of getting money from a property, from selling to renting out rooms, or taking out equity release.

Selling normally means moving out of an often much-cherished family home and renting out means giving up part of your home to someone else. With equity release, the homeowners can remain in their home until they die or go into long-term care, subject to the terms and conditions of the equity release product.

Equity Release explained

The type of equity release Aviva offers is called a lifetime mortgage, which is available to homeowners aged 55 and over.

It's a long-term loan secured against your property, that allows you to access some of the money tied up in your home. Unlike a standard residential mortgage, you don't make monthly repayments; instead interest builds up on your loan each year.

Interest is charged on the total borrowing and any interest previously added, which quickly increases the amount you owe. The loan plus interest are repaid through the sale of your property, once you (and your partner, for joint lifetime mortgages) have passed away or entered long-term care, subject to our terms and conditions.

A lifetime mortgage will reduce the amount of inheritance you are able to leave, so it's a good idea to have a chat with your family first. Your tax position and any entitlement to means-tested benefits may also be affected – therefore you'll need to talk through your full financial situation with an equity release adviser.

Reasons to consider a lifetime mortgage

Retirement should be an enjoyable time, however, this may not be the case if you're worried about your finances.

Each person has their own reasons for taking cash from their home. Some of these reasons are:

- Paying for home improvements
- Debt consolidation
- Help to pay everyday bills
- Helping friends and family
- Enjoying life - buying a new car, taking a holiday

If you're considering a lifetime mortgage, you should talk to your family to tell them why. It's important to discuss this with them, as your family may need to arrange the sale of your property to repay the lifetime mortgage when you pass away or go into long-term care.

What happens if you move out of your home

You can apply to transfer your lifetime mortgage to a new property if you decide to move home. If the new property doesn't meet our current lending criteria the mortgage will need to be repaid and you may need to pay an early repayment charge. You can find information on our current lending criteria here: <https://static.aviva.io/content/dam/document-library/adviser/equityrelease/pf011387c.pdf>

However, if you're eligible for downsizing protection, you can repay your loan with no early repayment charge. This feature is available on lifetime mortgages applied for on or after 8 April 2019 (terms and conditions apply).

If you or your family believe you are in need of long-term care we'll conduct an Activities of Daily Living assessment. This will demonstrate to us your capability of completing everyday tasks and caring for yourself. The outcome of this assessment will determine whether you will be charged an early repayment charge if you leave your home.

Our definition of long-term care is outlined in your terms and conditions. If you'd like further information on this you can speak to your financial adviser.

What if I want to repay my lifetime mortgage early?

A lifetime mortgage is designed to be repaid when you (and the second borrower if you have a joint lifetime mortgage) die or need long-term care subject to our terms and conditions.

But circumstances can change, and you may find that you want to repay your loan in full at an earlier date. If you need to do this, you may have to pay an early repayment charge.

We currently offer a Fixed Percentage and a Variable Gilt Index early repayment charge, and your equity release adviser will help you choose one. If you'd like more information about how our early repayment charges work, give us a call on **0800 158 4177** or download a copy:

For Fixed Percentage early repayment charges explained, visit aviva.co.uk/adviser/documents/view/pf011601c.pdf.

For Variable Gilt Index early repayment charges explained, visit aviva.co.uk/adviser/documents/view/pf011612c.pdf.

If you already have a lifetime mortgage which completed before 24 January 2022, you may have chosen the Individual Gilt early repayment charge. We don't offer this type of early repayment charge anymore, but you can download a brochure to learn more about it: aviva.co.uk/adviser/documents/view/pf011231c.pdf.

Circumstances in which early repayment charges don't apply

There are certain circumstances in which early repayment charges don't apply, subject to our terms and conditions:

Death or long-term care

Where all the borrowers have died or have moved into long-term care.

If you are joint borrowers and your lifetime mortgage is repaid within three years of the date on which the first borrower dies or needs long-term care. This feature is available on lifetime mortgages applied for on or after 28 April 2014.

Moving Property

You move to a new property, and we agree you can transfer your lifetime mortgage to that property.

If you want to move to a new property that doesn't meet our lending criteria, but you're eligible for downsizing protection. This feature is available on lifetime mortgages applied for on or after 8 April 2019.

Change of occupancy

You want to sell part of your property and we've given you consent to do this.

You'd like someone to move into the property with you as a joint borrower and for the lifetime mortgage to be repayable when the last person dies or goes into long-term care.

Partial Repayments

If you're making voluntary partial repayments up to a maximum of 10% per year of the total amount borrowed, you won't pay an early repayment charge on these repayments. This feature is available on lifetime mortgages applied for on or after 28 April 2014.

Repaying in full

If you have a lifetime mortgage based on the Individual Gilt early repayment charge:

- Your gilt (another word for a UK government bond), that's been assigned to your lifetime mortgage has expired.
- If the gilt yield on the repayment date is the same or higher than it was on the completion date of your lifetime mortgage.

If you have a lifetime mortgage based on the Variable Gilt Index early repayment charge:

- Once your early repayment charge term has ended. This will be on the relevant anniversary of the completion date of your lifetime mortgage as shown in your completion letter.
- If the gilt yield on the repayment date is the same or higher than it was on the completion date of your lifetime mortgage.

If you have a lifetime mortgage based on the Fixed Percentage early repayment charge:

- Your fixed early repayment charge has ended. This is currently 15 years after taking out the lifetime mortgage.

- If after taking out your initial loan, you apply for additional borrowing or take withdrawals from your cash reserve, the 15-year term will also apply to each individual loan from the date of completion.

What happens if your home sells for less than the amount owed

Even if your home sells for less than the amount you owe, you or your estate will never have to repay more than the amount received from the sale of your home.

This is because every Aviva lifetime mortgage comes with a no negative equity guarantee. This is on the basis that your home is sold at the best price reasonably obtainable.

The impact on your inheritance plans

As we've said, a lifetime mortgage will always reduce the amount of inheritance you can leave behind. However, you can choose to safeguard a percentage of your home's value to leave as an inheritance.

This is called an inheritance guarantee.

All you have to do is tell us the percentage of your property value you want to guarantee. You can only do this when you apply for a lifetime mortgage, it can't be added as an option once the loan is set up.

Selecting an inheritance guarantee will reduce the amount of money you can borrow. To understand how this is calculated you can speak to your financial adviser or contact us.

It's important to note that the inheritance guarantee may also affect the interest rate on your lifetime mortgage. We won't apply the inheritance guarantee if you don't keep to the terms and conditions of your lifetime mortgage, or if you repay your lifetime mortgage early.

Making partial repayments

Our voluntary partial repayment feature allows you to make partial repayments, with no early repayment charges to pay.

This is useful if your financial circumstances change, and you find that you can afford to repay some of the money you've borrowed.

The maximum you can repay each year is 10% of the total of the initial loan, any additional borrowing and cash reserve releases, excluding any accrued interest, and the minimum you can repay at each installment is £50.

If you're considering making partial repayments, you will need to contact us each time you want to make a repayment. These can not be set up as regular repayments. The payment methods we can accept for these are BACS, CHAPs, Faster Payments or Debit Card.

It's important to note that you don't have to make any partial repayments against your loan in your lifetime unless you want to. If you do choose to make repayments, this will reduce the total amount you owe.

This option is only available to those who applied for their lifetime mortgage on or after 28 April 2014.

Lifetime mortgages with Aviva – the benefits and things to consider

What are the benefits?

- You continue to own and live in your home.
- There is a fixed rate of interest throughout the term of your mortgage.
- You receive a cash lump sum and could have the possibility of releasing further cash in the future, subject to our terms and conditions.
- Our ‘no negative equity’ guarantee means that you or your estate will never have to pay back more than your property is sold for, as long as it’s sold for the best price reasonably obtainable.
- Our optional inheritance guarantee ensures you can leave an inheritance for your family (if this option is selected at the time you take out the lifetime mortgage).
- Our voluntary partial repayment feature lets you pay back some of the money you’ve borrowed.
- You may be able to borrow a higher amount depending on your health and lifestyle.
- You can apply to transfer your lifetime mortgage to a new property if you decide to move home. If the new property doesn’t meet our current lending criteria the mortgage will need to be repaid. However, if you’re eligible for downsizing protection you can repay your loan with no early repayment charge. This feature is available on lifetime mortgages applied for on or after 8 April 2019. Please see your terms and conditions for more information.

Things to consider

- If you have money in pensions, savings or investments it’s worth considering if these are a better way to fund your future plans. There are costs involved in freeing up cash through a lifetime mortgage and reviewing alternative options with your financial adviser should be a key part of your decision making process.
- Another way to release the value locked away in your home is to either sell it or move to a smaller property. But if you want to stay in your current home and avoid the upheaval and costs of moving, then a lifetime mortgage could be a viable option.
- Interest is added annually on the amount you’ve borrowed and any interest already added. This method of charging interest is known as compound interest and means the amount you owe increases quickly.
- This is a lifetime commitment. If you choose to fully repay the plan early, you’ll have to repay the loan and the interest, and there may be an early repayment charge to pay.
- The amount of inheritance you can leave will be reduced, possibly to nothing. However, you can choose to take our optional inheritance guarantee to help with this.
- Releasing equity from your home may affect your tax position. It may also affect your eligibility for certain welfare benefits such as council tax benefits, pension credit and certain health benefits.

How your family can contact Aviva

There may come a time when your relatives have questions for us regarding your lifetime mortgage. Alternatively, they may need to contact us to tell us that you’ve moved into long-term care or passed away.

It’s good for them to have your lifetime mortgage details to hand when they call, as we’ll need to ask them some questions for security purposes.

If they want to discuss specific details of your lifetime mortgage, we must have your written authority to deal with them on your behalf, or, if appropriate, a copy of the power of attorney document.

If you die we’ll need to make sure they are responsible for handling your estate. They can;

call us on 0800 158 4177

write to us at:

Aviva
PO Box 250
Surrey Street
Norwich
NR1 3WG

Or visit our website at [aviva.co.uk](https://www.aviva.co.uk)

Talk to your financial adviser

Taking out a lifetime mortgage is a long-term commitment and isn’t suited to everyone’s individual needs. You must receive financial advice and we also suggest involving your family before making your final decision.

A financial adviser can help you decide if a lifetime mortgage is right for you. They will be able to assess your overall financial situation and talk you through your options.

If you already have a financial adviser, we recommend you talk to them. If you don’t have an adviser, you can find one near you through [unbiased.co.uk](https://www.unbiased.co.uk). A financial adviser will charge you for the advice that they give you and will explain what these charges are at your first meeting.

Alternatively, you can contact Aviva’s Equity Release Advice Team, who can provide information and advice on Aviva’s lifetime mortgage only. You won’t be charged a separate advice fee, instead we’ll make a commission payment to the adviser on completion of your loan.

Call 0800 141 3517 to speak to Aviva’s Equity Release Advice Team. Lines are open Monday to Friday 9am – 5pm.

Contact us

Please contact our equity release customer service team if you have any questions and they'll be happy to help. You can call them on;

0800 206 2014

Monday to Friday,
9.00am – 5.00pm

Calls may be monitored or recorded.

Speak with a solicitor

You wouldn't think of buying a new home without appointing a solicitor. It's no different if you're thinking about taking out a lifetime mortgage.

You'll need to appoint a solicitor to act on your behalf. You should appoint a solicitor who is a member of the National Solicitors Network. That way you'll know the fees from the start and you can be sure that your solicitor will meet their standards of service.

Your financial adviser will be able to give you the names of at least two solicitors in your area who are members of the National Solicitors Network.

Our lifetime mortgages are not available in the Channel Islands or the Isle of Man.

Need this in a different format?

Please get in touch if you'd prefer this brochure (**PF011058**)
In large print, braille or as audio.

How to contact us



0800 068 6800



contactus@aviva.com



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