

Top tips when considering equity release

Use our equity release practical checklist to guide you towards deciding if taking out a scheme is the right thing for you.

Is equity release right for you?

Before going any further, take the following three important steps.

1. Think carefully about all the other ways cash for care could be raised – including property downsizing, using savings, renting a room, local authority funding and possible benefits, such as Attendance Allowance – before making a decision about equity release.

2. Take independent financial advice from a specialist accredited later life adviser, such as a fully listed member of the Society of Later Life Advisers (SOLLA) (www.societyoflaterlifeadvisers.co.uk). You could also contact StepChange (www.stepchange.org), a service offering free guidance on equity release. For more guidance on finding an IFA, see how to find a financial adviser on Which? Money (www.which.co.uk/money/investing/financial-advice/guides/how-to-find-a-financial-adviser).

3. Choose a provider that is a member of the Equity Release Council (ERC) (www.equityreleasecouncil.com/home) as they will have to abide by a Code of Conduct, and their plan will have a No Negative Equity Guarantee (NNEG). This guarantees that the total sum payable (borrowed plus interest) will not exceed the ultimate sale value of the property.

Other considerations

Do you want a lump sum or an income? Equity release schemes are most suitable for borrowing money long term – they aren't suitable for short-term borrowing.

Do you claim benefits? Or might you do so in the future? Releasing equity as cash could affect your entitlement to means-tested benefits, such as Pension Credit.

- Don't borrow any more than is needed. Interest rates tend to be high and can really add up over time.
- Are property values likely to increase or decrease? Falling prices will not adversely affect you if you have a home-reversion plan, but it could affect you severely with a lifetime mortgage.
- There will be additional costs involved in 'arranging' an equity release: for example, solicitor, valuation and administrative fees. Enquire about these up front so you know what to expect.
- Do you want to leave any money in a will for relatives, such as grandchildren? If you're going to release equity on your home, the amount you have in your estate will be reduced.

Questions to ask a potential provider

- Will they let you transfer your plan to another property, should you wish to move or downsize?
- Is there an early repayment charge should you want to pay off the plan early (for example, if you move to a care home or sheltered housing)? Penalties for early repayment can be high, so it's important to be aware of what these are.
- If necessary, will you be allowed to have other people live with you (such as live-in carers or family members)? Some home reversion schemes may have conditions to prevent this.