

Retirement **FREEDOM**

Information about **Releasing Equity** in your **Property**

Spring 2025



**Multi award-winning
Later Life Lending Adviser**

**Releasing
property wealth**
£2,319,000,000
of housing wealth
was unlocked
in 2024.
(Source: Equity Release Council)

Your Property Wealth

Products exist that are specifically designed for homeowners, aged 55+ (and even 50+, in some cases), who may want to **raise funds against the value of their property.**

In this issue, we cover some of the key areas to consider, should you be looking to secure money for whatever reason.

If you did, you'll be on a well-trodden path. Since 1991, more than **685,000 homeowners** have accessed almost **£50bn of property wealth** via Council members to support their finances.

(Source: Equity Release Council, February 2025)

Increasing financial wealth

Even if you don't delve into the financial value, it's nice to know that the average UK property price has increased from about £52,000 in 1994 to around £268,500 in 2024.

That's a **more than fivefold rise over the last 30 years**, and equates to about £600 in increasing value for every month since 1994!

(Source: Nationwide, House Price Index, Q4 2024 vs. Q4 1994)

In fact, that financial return could be even greater if you've bought well, and invested time, effort (and money) into improving the home(s) you've lived in.

Of course, you should only consider tapping into this property wealth if you either need, or desire access to further funds.

The need, or desire

The reasons why people want to raise money as they move towards, or are in, their retirement years are wide-ranging, such as:

- Pay off an **outstanding mortgage loan.**
- Deliver funds for **day-to-day living costs.**
- **Home renovations**, for a better living space, or for modifications to meet at-home care needs.
- Help fund that **special treat**, such as a holiday-of-a-lifetime.
- Assist other **family members**, who might benefit from funds now, rather than wait for any future inheritance.

Sourcing the funds required

We will outline the pros and cons of releasing equity from your property, and will cover the most popular equity release product, a **Lifetime Mortgage**. But we must also consider other money-raising options, such as:

- Downsizing your property to deliver funds.
- Possible alternative income streams from Pensions, Savings, and Investments.
- And consider other types of mortgage



You can join me at
dementiafriends.org.uk



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■ Asquith Financial Services is a trading style of Asquith Financial Services Ltd which is authorised and regulated by the Financial Conduct Authority.

■ Lifetime Mortgages and Home Reversion Plans are the two main types of Equity Release.

■ To understand the features and risks, ask for a personalised illustration.

■ As Equity Release is a complex area only specially qualified advisers can give advice on these schemes.

■ We can advise and arrange Lifetime Mortgages and will refer to an approved specialist for Home Reversion schemes.

■ An Equity Release plan will reduce the value of your estate and as a result there may be no value left to pass on. Equity Release will not be suitable for everyone and may affect your entitlement to State benefits.

■ The articles are for information only and do not constitute advice. You should seek professional advice tailored to your needs and circumstances before making any decisions.

borrowing that now span the gap between normal residential mortgages, and lifetime mortgages.

To find out more about how we could assist you, please get in touch, or read on...



Here to help YOU...

In our role as a **fully-qualified adviser in the Later Life lending sector**, we will discuss the various options. Some homeowners will go on to release money against the value of their home by taking out a product, such as a **Lifetime Mortgage**. For others, alternative choices may be more appropriate.

Releasing equity against the value of your home is a topic that, for some, provokes negative views, such as:

'You will lose your home'.

'A debt will be left to those inheriting'.

'There'll be little value left once the interest has rolled up'.

The first two statements are **simply not true** if you take up a plan supported by the Equity Release Council (which encompasses most lifetime mortgage deals on offer). And the final comment can be addressed by **paying the interest over time**. However, for many, the opportunity to secure funds without having to make any ongoing payments, is something they will find to be quite appealing.

And this is why it's vital that you **take professional advice**.

Considering your options

For our part, we will listen to your needs, identify the choices, and if you want to proceed, we'll then undertake a lot of the legwork.

And, as part of the initial process, we would discuss if there are more suitable alternative options out there for you.

Innovative products

In recent years, we have seen **sizeable product innovation**, and we'd run through those options, such as:

- The introduction of shorter period Early Repayment Charges, or possibly none at all.
- Better interest rates (or enhanced borrowing amounts) on offer on some plans, if you commit to agreed monthly payments.
- The increased flexibility of the products on offer. Such as some plans that will evolve as you move into retirement, with payments made initially, and then transition into a full roll-up product.

Vulnerable clients

Our knowledge and expertise in this sector enables us to help identify clients that may be vulnerable, and to act in their best interests.

In most cases, clients are more than capable of engaging fully in the decision-making process, but signs such as possible frailty would make us **look ahead and tailor our advice** for what might be further down the road.

The inheritance issue

With a lifetime mortgage, you retain ownership of the home, but we're also mindful that it's possibly your family's future inheritance too.

That's why some plans will enable you to put in place ways to **ringfence some of the inheritance**.

That said, some borrowers do want to gift money now to help their family - when they may possibly need it most.

Others involved too

Advice should not solely come from us, you must also seek input from a **solicitor**, and maybe your **accountant** too; as well as possibly sounding out **family members**.

In addition to this, there are a number of customer controls and protections that are in place from the aforementioned **Equity Release Council** and the **Financial Conduct Authority**.

Alternatives...

There continues to be increased choices out there, as lenders listen to issues raised by Advisers.

Whilst the 'affordability' criteria may come back into the mix, here are some other options:

- You may be able to remortgage the existing home via a **standard residential mortgage deal** that runs into the retirement years (which might require paying off both the capital amount and interest).
- Or consider hybrid mortgage plans that are now being developed, such as a **Term Interest-Only mortgage** (for 50+ homeowners). For this, the interest is paid for an agreed period, and then the product reverts to roll-up.
- Or, perhaps a specific **Retirement Interest-Only product**, where only the monthly interest needs to be paid (without a set end date).

LIFETIME Mortgages

This is the most popular way to release **'tax-free' money** from the **value of your home**. And possibly against a value that may have grown markedly over the years.



In today's marketplace, a **Lifetime Mortgage** is a flexible and innovative product, which bears little resemblance to the rigid plans offered back in the 1980s.

However, like any other loan taken out, the lifetime mortgage is **not free money**.

The loan (and any interest accrued) will need to be paid off, but may not be actioned until the last remaining policyholder has either died, or gone into long-term care.

The benefits...

With the interest rate generally fixed for the whole term, there are also a number of product options to consider:

■ No affordability criteria to meet

If you know of friends and family members who've been applying for a normal residential mortgage, then you'll realise the significance of this.

■ No monthly payments to make

Should this be your preferred option, it'll be the case, for as long as the deal runs.

■ Conversely, you can lessen the impact of the interest rate roll-up

To explain this, let's consider that £100,000 has been borrowed at an interest rate of 6%. Put simplistically, at the end of year one, £106,000 would be owed. And then in year two, the 6% interest figure would be applied to the £106,000 amount, and so on. This is what's called compound interest. And, if no payments were made, then the full amount

owed would have doubled after about 12 years.

Alternatively, if all of the interest owed was paid each month, then the lender would only be claiming back the return of the 'capital amount'. Although, you can decide to stop paying the monthly interest further down the line.

On some plans the interest rate is lower if you pay off (some, or all of) the interest each month, and you can even make repayments of the capital amount too (up to an agreed level).

■ Lump sum, or drawdown?

Some borrowers may take the full lump sum upfront. Other's may opt to take an initial amount, and then 'drawdown' a further agreed tranche of money should they need more funds at a later date.

The benefit of this approach is that it avoids paying interest on money you don't need at that particular period of time. Plus, when you drawdown further funds, it'll be at a different interest rate - which might be lower.

■ Benefit from ill-health!

It sounds perverse, as you're told throughout life to look after yourself, but you may obtain a better deal if you have a qualifying medical condition.

■ Early Repayment Charges (ERC)

More recently, there's been innovation in this area, where the timeframe in which this would be applied is now much shorter, or not applicable at all on some plans.

Please do get in touch to hear more.

How you're PROTECTED

Here are some of the customer protections put in place by **The Equity Release Council** - the industry body. These are applicable if the plan (such as a Lifetime Mortgage) goes via one of their lender members - which covers most deals out there.

■ All products from Equity Release Council lender members have a **guaranteed security of tenure**.

This means that customers will be allowed to remain in their property for life, or until they move into long-term care, provided that the property continues to be their main residence.

In the case of a joint policy, this then applies to the last surviving borrower.

■ Plans from Equity Release Council lender members have a **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**.

■ Customers, who've taken out an Equity Release plan, **have the right to move**, subject to the new property being acceptable to the product provider as suitable security for the loan.



Spending Plans

Two in five UK retirees have retirement regrets, and much of this relates to not increasing pension savings while working, or not making lifestyle adjustments to create a better environment to save more for retirement.

The upside is that solutions do exist, such as leveraging your property wealth to **help yourself**, or **help others**.

(Source: Canada Life, May 2024 release)

The reality of later life living, is that there are many areas (some being unexpected lifestyle changes) where funds would be very useful to help meet essential needs, or to do the nice stuff that'll bring a smile to your face.

So, let's look at a few ways that funds from a lifetime mortgage might be used...

Interest-only mortgage?

You may be coming towards the end of your term period and are concerned that you won't be able to settle the whole mortgage loan from savings, investments, etc.

If that's the case, then aside from options such as **downsizing to pay off the loan**, releasing equity from your home could bridge the gap. The upside of this route is that **you can then remain in your current home**.

And, if you're on an interest-only mortgage, you're not alone. At the end of 2023 there were still 664,000 interest-only mortgages out there, and a further 200,000 part interest-only/part repayment mortgages.

Of this amount, about **187,000 plans are expected to mature by 2027**, resulting in a mortgage loan of around £144,000, on average, that will need to be repaid.

(Source: UK Finance, Interest-only update, June 2024)

Releasing equity from your home, can help meet any shortfall. In fact, over one-third of all lifetime mortgage borrowing is used to do just that.

*(Source: *Canada Life, Uses in 2024, January 2025 release)*

Gifted money to the family?

This is the one to bring a smile to your face, as it would enable you to use your wealth now, when it's possibly needed most by others.

It could encompass areas such as:

- school and university costs.
- a deposit for a first home.
- assisting home improvements for family members.
- generally helping to ease other family members through the current cost-of-living crisis.

To give you an idea of the needs of oth-

ers, the average property purchase deposit in the UK for a First-Time Buyer stands at over £60,000. Any support you might be able to provide **could be life-changing**.

(Source: Halifax, First-Time Buyer report, February 2025)

Home renovations?

Around a third of all lifetime mortgage borrowers may use funds to make home improvements, or adaptations.*

You might decide that you need extra bedroom space for friends and a growing family, which may require an extension, or loft conversion.

Or, your own mobility, or unexpected health issues, might result in much-needed modifications to the existing home.

These are just a few examples of how you could put your property wealth to good use, others might be to deliver help with bills, special treat(s), funds to buy another property, or money to help extend a lease.

EQUITY RICH



The Later Life lending market, with products such as the **Lifetime Mortgage**, has evolved massively over recent years, and can possibly assist those from all walks of life.

We have spoken elsewhere about the roll-up effect. In this instance, it may be less of an issue for a comfortably equity-rich property owner, who doesn't want to downsize.

More expensive home

Let's assume that they own a **£1m property** and want to **raise £200,000** to gift money to family members. A sizeable amount, but just 20% of the value of the home.

If the homeowner decided that no monthly payments would be made, then at a fixed rate of, say 6%, the total amount owed after 12 years would double.

BUT, if property prices rose over the same period, at a conservative rate of just 2.5% a year (it's currently 4.1% annually), then the property could increase to almost **£1.35m**, which would still leave **£950,000 of available equity**, 12 years on.

(Source: Nationwide, House Price Index, January 2025)

Of course, this is a simplistic calculation, and other factors will come into play (such

as inflation), but it gives you a feel for the benefits that could accrue if you don't borrow a large percentage, and also own a high-value appreciating property.

Managing tax liabilities

In relation to tax matters, you must turn to your accountant for qualified advice, but here are a few ways that releasing equity in your property may assist wealthier clients.

■ **Pension** - If you have a decent amount of equity in your property and a good pension pot, then you'll know you have options.

In this instance, 75% of the money released from a pension is likely to be liable for income tax. Conversely, money released via a lifetime mortgage, for example, is **tax-free**.

■ **Inheritance tax** - This tax is generally paid out at 40% of the value of the estate above the threshold level. On an individual

basis, this could kick in from **£325,000**. But, if you're married, or in a civil partnership, and passing on a home, then the threshold level for a couple could increase to **£1m**.

Looking back to the **£200,000 gift** to family members, a by-product of this could be that you **lessen your tax liability on death**. This would occur, as you've passed money on, and the amount owing on your plan would be seen as a debt against the value of your estate. Naturally, you'd need to be mindful of the 7-year gifting rule, and other tax issues.

Whilst we can assist with your borrowing needs, you must also seek tax advice.

HM Revenue & Customs practice and the law relating to taxation are complex and subject to individual circumstances and changes which cannot be foreseen.



PATH of Normality...

Lending into the retirement years is **moving from a niche to a norm**, according to the Chief Operating Officer at the Financial Conduct Authority. Whilst she was referring to First-Time Buyer mortgages running into the retirement years, it echoes the acceptance of others to borrow into later life.

To reinforce that point, annual lending within the later life marketplace currently amounts to around **£18.5bn** (possibly partly influenced by personal pension shortfalls).

This is comprised of a mix of standard mortgage loans that run into the retirement years, and specific later life products.

(Source: UK Finance, Later Life Lending report, Nov. 2024)

A burgeoning age group

Back in 2005, those aged over-56 amounted to 15.9m.

By 2023, this had risen to **almost 21m (a 30% jump)**. On top of this, people are now living longer.

Greater property wealth

Total UK 'unmortgaged' property wealth amounts to £5.7trillion, with **about 60%**

(£3.4trillion) held by those aged 55+. This equates to an average of £321,213 of equity in the homes of the over 55s.

(Sources: Equity Release Council, Sept. & Dec 2024 releases)

Flexible products

A growing audience, sizeable property wealth, plus numerous reasons for them to require funds, and that's not lost on lenders.

It's **part of the reason why Lifetime Mortgage products are so flexible** and allow borrowers, if wanted, not to make any payments in their lifetime.

That flexibility would not be afforded to the first-time buyer sector, as the maths wouldn't work out, plus there's limited property wealth as security for the loan.

From here the choice is yours. Some will prefer to sit back and hopefully enjoy continued growth in their property value.

Those looking to borrow

Others, who may be **equity-rich, but cash-poor**, might prefer to gain access to some funds now, to pass onto family members, or to meet their own needs.

And here are some key facts:

■ Take-up

In Q4 2024, **15,000 homeowners** were active in the market - a 10% year-on-year rise.

■ Average amount borrowed

Lump sum = **£115,243**

Initial Drawdown = **£70,926**

Drawdown reserve = **£56,565**

Total Drawdown = **£127,491**

■ Average rate of new Lifetime Mortgages launched

6.47% vs. 7.48%, a year earlier.

(Source: Equity Release Council, Q4 2024 report, Jan. 2025)

Useful LINKS

How much is your home worth?

Aside from getting it valued, you can check out the sale prices of comparable properties in your area:

gov.uk/search-house-prices
scotlis.ros.gov.uk
finance-ni.gov.uk

Tracing lost or mislaid...

■ Pensions

www.gov.uk/find-lost-pension
0800 731 0193

■ Bank, Building Society, or National Savings accounts

www.mylostaccount.org.uk

Bank account:

020 3934 0329 (UK Finance)

Building Society account:

020 7520 5900 (Building Societies Ass.)

National Savings account:

08085 007 007 (National Savings and Investments)

■ Insurance policies, pensions, unit trust holdings and share dividends

Additional route to consider for elements such as this:

www.gretel.co.uk

■ Information on State Benefits

To see what you may be entitled to:

www.gov.uk/dwp

■ The contents of this newsletter are believed to be correct at the date of publication (Feb. 2025).

■ Every care is taken that the information in this newsletter is accurate at the time of going to press. However, all information and figures are subject to change and you should always make enquiries and check details and, where necessary, seek legal advice before entering into any transaction.

■ The articles are for information only and do not constitute advice. You should seek professional advice tailored to your needs and circumstances before making any decisions.