



Exploding the myths about Equity Release

By Billy Johnson, Head of Oval Mortgage Services

Effective planning for retirement is a hot topic at the moment. With pensions failing to deliver the necessary income, releasing equity from a property has become a popular way of improving standards of living for those approaching or in retirement.



Equity release is often misunderstood however, as there are two main types: Lifetime Mortgages, where an individual takes a mortgage, commonly rolling the interest into the value of the house, to release cash; and Home Reversion Plans that Oval does not advise on, where an individual sells their house and rents it back.

In order to clarify the situation, here are a few fundamentals about Lifetime Mortgages:

- Firstly, taking out a Lifetime Mortgage does not mean that a property is sold. As property values have appreciated and debt reduced over the duration of a mortgage, equity will have accumulated which the loan effectively releases to the property owner.
- Equity release is best used as a way to release capital from bricks and mortar to enhance an individual's lifestyle in retirement. It can also be used as a way to mitigate the threat of inheritance tax.
- Possibly the most erroneous belief is that the debt becomes a legacy for your dependants. The appropriate use of insurance combined with a negative equity guarantee if using Safe Home Income Plan providers can mitigate any issues for dependants.

The reality is that, if used in the right way, equity release can be a very effective tool in financial planning. Raising capital through equity release might enable you to buy a home overseas, assist children onto the property ladder or through university, or help to minimise inheritance tax liabilities to the benefit of an estate.

It is important to also remember that the value of your property is locked in at the point of releasing the equity - if house prices then fall there is no recourse from the lender. So, by getting the right advice and using a reputable lender, equity release can be an intelligent retirement lifestyle choice, which does not need to involve selling your house, reducing the value of your estate or incurring negative equity.

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