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**As the elder statesman of the company, I keep an eagle-eye on new and innovative insurance solutions for the older investor. This market is becoming more competitive and products are offering considerably more flexibility to clients than could be claimed in the past. One aspect that has improved significantly is Equity Release, which now has a valued place in the armoury of a financial adviser.**

## Need help paying for the future?

**Q. I have a £300,000 house that is fully paid for and a small pension that covers my basic needs but no money for luxuries. Is there a way I can release some of my capital to increase my pension?**

There are two obvious routes to follow here, trade down to a smaller property and use the released capital to augment your pension or don't sell your house but use an Equity Release scheme to free up some capital from the house. Trading down is a well worn road, which most people will recognise, but this has its drawbacks, with the need to find a suitable property to buy, the costs of purchase and the wrench of leaving your old home. Equity release allows you to access some of the capital tied up in the house, without moving.

**Q. I have heard some horror stories about Equity Release, are they true?**

Equity release is not without its problems and in the recent past the regulator, the Financial Services Authority, has stepped in to control the market and offer impartial information to potential clients.

A guide is available at [www.moneymadeclear.fsa.gov.uk/products/equity\\_release.html](http://www.moneymadeclear.fsa.gov.uk/products/equity_release.html). The key issues are the cost of the loan, the ultimate ownership of the family home and the use to which the proceeds are put. Things can go wrong at each stage, with potentially, the loan costing more than the value of the house over time; relatives believing that the house will pass to them unencumbered, and the proceeds being spent by the "black sheep" of the family on a "rock and roll" lifestyle. Independent advice will help greatly with selecting the right product for your circumstances, not grabbing at the first solution that might work.

**Q. What do I need to know about products I may be offered?**

There are two main product types, a Lifetime Mortgage or a Home Reversion plan; both are regulated by the FSA and are available from a number of providers. A Lifetime mortgage can be thought of as a long-term loan with your house as security; the loan is paid off when the house is sold. Until the house is sold, the interest is added to the loan, so potentially, the loan could be for more than the house is worth. A Home Reversionary Plan is more of an advanced sale of part of your house at today's prices, with you having to rent back, normally at a discount, the bit you sold off. The most important factors are the amount released, either as a lump sum or over time, the percentage of the house mortgaged or transferred to the provider and the cost of unravelling the arrangement if you want to cancel at a later date. In any case the value left in the property will be significantly reduced or even eliminated entirely, so your legacy to your children will include much less or none of the house.

**Q. Anything else I should consider?**

Any equity release scheme is a long-term commitment and will be very hard to undo once you have drawn some capital from it. There are a number of costs associated with them, surveyors, solicitors and ultimately sales costs, so it will be less advantageous for smaller sums; and some members of the family may be very uncomfortable with the idea and the prospect of losing the family home. It is imperative that you should obtain independent financial advice before embarking on the equity release route. A good financial adviser will always involve the whole family and explain the significance of the following risk warning: "This is a lifetime mortgage or Home Reversion Plan. To understand the features and risks, ask for a personalised illustration."

*The information above is for reference only and does not constitute an offer or personal recommendation of any kind.*

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