



*Enjoying financial freedom in retirement:*  
**A guide to equity release**



**Many** people see equity release as a way to ensure a comfortable retirement. But it can be a complicated process and there are many things to consider before deciding to release cash from your home.

That's why we've decided to put together this guide.

In it, we aim to help you understand more about the different plans available on the market, along with all the things you ought to consider before opting for equity release. It also looks at the importance of getting independent specialist advice on all your options – and of course it's all written in plain English, without any confusing jargon.

**Pacific Financial Services (North West)** is a growing financial brokerage that is carving out an enviable reputation for providing honest, impartial help and advice. We're independent, which means we work for you, not the banks or lenders. And because we're independent we offer access to the whole market, helping us to find the most suitable product to meet your needs and circumstances.

At Pacific Financial Services we pride ourselves on taking the stress and hassle out of finance – we'll even do the paperwork for you.

**[01] Retirement? It's an opportunity**

**[02] Get your hands on that cash**

**[03] Three steps to a secure future**

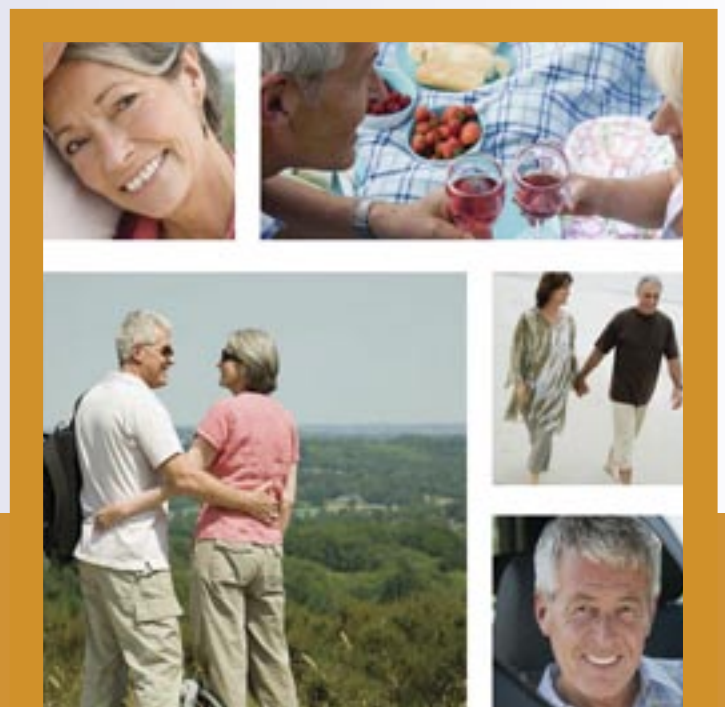
**[04] About equity release**

**[05] Consider these things before opting for equity release...**

**[06] Protecting your money**

**[07] Choosing your adviser**

**[08] Can we help**



## [01] Retirement? It's an opportunity

Just think of all that time you're going to have for yourselves! You've spent your life working and raising a family and now it's your time. A time for enjoying leisure activities, holidays, travelling, perhaps even taking up new hobbies. It's something you may well have been looking forward to for years.

There's one thing that might be holding you back though – money. It could be that, if you are retired or about to retire, fulfilling those retirement dreams isn't as easy as you'd imagined.

And with the cost of living seemingly rising on a daily basis, even maintaining your standard of living could be proving increasingly difficult.



Things need not be a struggle in retirement though. There have been huge rises in property prices in recent years. The average house price today stands at an incredible £179,363 – compared to just £45,091 only 20 years ago. That means many homeowners of retirement age are asset-rich, thanks to the property boom.

**“Retirement is the opportunity to do all those things you've longed to do.”**

## [02] Get your hands on that cash!

Would you rather have the cash from your home in your hands, than wrapped up in bricks and mortar? That's where an equity release scheme may be able to help.

Homeowners now have the opportunity to use an equity release plan to unlock the cash in their home by converting part or all of the property's value into a tax-free cash lump sum or even a regular income (income may be taxable).

This could make retirement much more comfortable – as the thousands of retired people to have taken advantage of equity release in the UK will testify.

There are two main equity release options: lifetime mortgages and home reversions. This guide will explain how they both work.

*But there are many plans to choose from, so we believe it's important to get specialist independent advice on all your options before making a decision.*



**Whether you're thinking of releasing cash from your home or want to find out more on behalf of friends or family, this guide will help you to learn more about how equity release works, the pros and cons of different plans and how to make sure you make the right choice.**

## [03] Three steps to a secure future



### *Step One*

Read this guide.

### *Step Two*

Have a chat with your family. Involving them in your decision right from the start may help to avoid potential problems at a later stage.

### *Step Three*

We recommend that you seek specialist independent advice on your options. Equity release is a big decision and it's only right to get expert help to try and ensure that you make the right decision.

**Pacific Financial Services (North West) offers completely impartial equity release advice. We'll also look at the alternatives to releasing cash from your home – and if we don't think it's right for you, we'll say so!**

#### Do I qualify for equity release?

- ♦ Are you aged over 55?
- ♦ Is your property worth at least £40,000?
- ♦ Do you have little or no outstanding mortgage?

If you can answer 'yes' to these questions, you may qualify for an equity release scheme.

One of the great things about equity release plans is that they allow you to spend the money how you wish:– a new car, conservatory, the holiday of a lifetime – or just meeting those day to day living expenses.

## [04] About equity release

There are two types of equity release scheme:

### Lifetime Mortgages and Home Reversions

#### Lifetime Mortgages

With a lifetime mortgage you take out a loan secured against the value of your property, giving you a tax-free lump sum or income to spend as you wish (income may be taxable).

Usually interest is added to the loan at a fixed or variable rate each month, until the loan is repaid. This is usually when the home is finally sold, for example upon the death of the last surviving partner, or their move into long term care.

Unlike a conventional mortgage, there are normally no monthly repayments to make, as the original loan plus interest is repaid from the final sale proceeds of the property. For your peace of mind, some plans come with a 'no negative equity' guarantee, ensuring that the total amount owed never exceeds the value of your home.

The typical amount available through a lifetime mortgage can be anything from 15% to 50% of your property's value. This will vary according to your age (or the lowest of you and your partner's ages). Most plans would also enable you to release further amounts at a later date, although this is not guaranteed.



#### ADVANTAGES

*The choice of a tax-free cash lump sum or income (income may be taxable), normally with no monthly repayments*

*You retain full ownership of your home, so you or your estate benefit from any increase in its value, above the total amount owned*

*May be a better option for younger people who may be too young for a reversion plan*

#### DISADVANTAGES

*The amount you leave as an inheritance is reduced and cannot always be guaranteed*

*With compound interest rates the amount owed grows over time. At an estimated interest rate of 6.25% the amount owed would double every 12 years*

*The provider has a first charge against your property and an early repayment charge may be payable if you decide to pay back the loan early*

#### Home Reversions

With a home reversion plan, you sell all or part of your home to a reversion company in exchange for a tax-free cash lump sum and a guaranteed lifetime lease to remain in your property.

Since both you and the reversion company own a percentage of the property, you both benefit from any growth in its value (provided you haven't exchanged 100%). When the plan comes to an end, the reversion provider takes its percentage share of the sale proceeds of your property.



You don't typically receive the full market value of the share of your home that you sell, because the reversion company gives you the absolute right to remain in your home, rent-free, for as long as you choose. (A peppercorn rent, typically £1 per month, may be payable with some providers).

With a Home Reversion plan you continue to be responsible for maintaining the property. Most plans enable you to exchange more of the remaining value of your property at a later date – but this is not always guaranteed.

You also have the option of taking the plan with you, should you choose to move. However, you would need to check the individual conditions of your plan. Any proceeds from the sale would be split according to the shares of the property owned by yourself and the provider.

## ADVANTAGES

*You are able to guarantee an inheritance if less than 100% of the property is used*

*You receive a tax-free cash lump sum to spend as you wish*

*You benefit from any increase in value of the share of the property you own*

## DISADVANTAGES

*The reversion provider owns all or a share of your home, sharing any increase in value and reducing the amount you can leave as inheritance*

*The plans cannot usually be reversed as you are selling part of your home*

*You typically won't receive the full market value of the share of the property you own*



## Drawdown Options

Some lifetime mortgages and reversion plans offer the option to take a drawdown of funds rather than releasing all of the money at the outset – an increasingly popular choice in recent years, largely due to its greater flexibility.

The main workings of the plans are the same but instead of taking the cash you release as a lump sum, you take instalments as and when you need them.

For a [lifetime mortgage](#), the main advantage is the saving in interest. This is only charged on the amounts released, which could save a great deal for your estate.

For a [home reversion](#), you can use a lower percentage of the property to raise the cash amount you need. And since the amount of property required to raise a specific amount of cash reduces as you get older, cash can be released in smaller amounts, potentially lessening the effect on your estate.

The table below shows how releasing cash in stages compares to releasing it as a lump sum.

Plan type at 6.25%	Amount released at the start	Amount released year 7	Amount released year 10	Loan + interest at 15 years
Lifetime Mortgage	£50,000	n/a	n/a	£124,138
Drawdown Option	£25,000	£10,000	£15,000	£98,622

## [05] Consider these things before opting For equity release...

### Your Family

We believe it's important to involve your family if you're considering equity release. Releasing cash from your home reduces the value of your estate and their inheritance. So involving them now could prevent any upset at a later stage.

You may be concerned that your family would disapprove of your decision. At Pacific Financial Services, we find the opposite, with the majority of people supporting the decision to release equity, seeing their relative's retirement and well-being more important than an inheritance. Children's attitudes are clearly changing when it comes to their parents' wealth as many of them have already ensured their own financial security. However, it is still important to involve them in your decision and at Pacific Financial Services; we always encourage you to invite family members to any consultations.



Discussing equity release with your family may raise their attention to your financial situation and they may be able to offer support. They could also help you in understanding and reviewing any information or recommendations, giving you an objective viewpoint on equity release and your best interests.

### Your benefits and income tax

Releasing cash can sometimes affect your entitlement to state benefits. Equity release could also affect your income tax position. Our expert advisers will offer guidance through this.

### Your alternatives

If equity release isn't right for you, a good adviser should tell you this and help you to consider your options, perhaps you could raise funds by downsizing to a smaller property, or moving in with family. However, it's important to consider the associated costs of moving and the sentimental value of your home.

Other alternatives include using savings to fund any plans you may have or considering other borrowing options.

## [06] Protecting your money



**The Financial Services Authority** regulates most equity release plans to provide protection, security and - if need be - access to official compensation schemes. (The FSA does not regulate sell and rent back schemes.)

Throughout the guide, we have talked about the importance of getting specialist, independent advice before you make a decision. As part of FSA regulations, when any adviser recommends a plan to you, they must present you with the full details of why they feel this is the most suitable option for you. This must include all costs, penalties and interest rates.

**As an extra safeguard**, Safe Home Income Plans (SHIP) was set up to protect the interests of equity release customers. The majority of leading plan providers are all members of SHIP, meaning that they agree to adhere to a strict code of conduct and minimum standards of practice.

All SHIP plans guarantee:

- The right to remain in your home for as long as you choose
- The freedom to move to another property without financial penalty (subject to criteria)
- A 'no negative equity' guarantee, so you can never owe more than the value of your home.

These measures are designed to ensure your safety and protection if the provider is a SHIP member. There are lots of equity release plans available - and not all carry the same safeguards and guarantees. So always look for the SHIP logo on any plan recommended to you. This offers you the peace of mind that, should you go ahead with equity release, you have more protection than ever before.

You may have seen adverts for plans which allow you to sell your home and rent it back. Whilst these plans are often promoted as a form of equity release, they are not currently regulated by the FSA, so you would not be offered the same levels of protection if you were to opt for one of these plans.

## [07] Choosing your adviser



**Equity release** is an important financial commitment. You need to be absolutely sure of your decision, and your obligations and commitments, before you go ahead.

You must also be confident that you have made the right choice for your needs, which is why it is important to seek professional, independent advice.

An independent adviser is free to advise on the entire market. They should research all the available plans and then recommend the most competitive and most suitable plan for you. Choosing the wrong adviser and taking the wrong plan could cost your estate thousands of pounds in the future, so it is important that you choose an adviser who provides clear recommendations, rather than offering a range of options for you to choose from.

**It's also important** to ensure your adviser can advise on all types of regulated equity release - lifetime mortgages and home reversions. This is the only way to ensure you receive the complete picture on your options.

To check whether an adviser is independent, take a look at their payment options. An independent adviser must offer you the option to pay by fee only and then you receive the commission from the plan provider.

A specialist adviser will have completed extensive training on equity release and will hold the necessary qualifications to provide accurate advice. They will completely understand how the plans work and will be able to explain this to you in plain English.

**Such a big decision** requires the best possible advice, which should be unbiased and tailored to you and your needs in retirement.

**you must be  
confident that  
you have made  
the right choice  
for your needs**

## [08] Can we help

**To find out more** about equity release, with advice tailored to your own circumstances and requirements, contact Pacific Financial Services to arrange a free, no obligation, initial consultation. We'll speak to you about you and your wishes, then research the market, aiming to find the equity release solution which is most suitable for your current needs and circumstances.

Then if you choose to proceed, your adviser will help you to apply for your plan.

**Following this**, an independent expert will value your home, your solicitor will be instructed and Pacific Financial Services will help to progress your application as smoothly as possible.

We estimate in approximately 8-9 weeks from accepting an offer, you should receive the funds from your solicitor, to spend in any way you choose.

*Home reversion plans and lifetime mortgages are complex products. To understand the features and risks, ask for a personalised illustration.*



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There will be a fee for Equity Release Advice equal to 1% of the amount of cash released. The fee is payable once you have received funds. For example if you release £25,000, on receipt of funds you will pay a fee of £25,000 x 1% = £250.

We do offer a **free of charge, no-obligation, initial consultation** with an independent adviser so that you can find out how much cash you could release and whether a plan would be suitable for you. If you choose not to proceed no fee will be charged.

Pacific Financial Services (North West) is authorised and regulated by the Financial Services Authority. Financial Services Authority registration number 302245

[www.pacificfinancial.co.uk](http://www.pacificfinancial.co.uk)