



A simple guide to equity release

From Just Retirement Solutions
Helping you to enjoy your retirement



just
retirement

Contents

Page

2	About Just Retirement Solutions
3	Enjoying retirement
4	Is Equity Release right for you?
5	Considering your options
6/7	How Equity Release works
8	Costs and fees involved
9	A note about SHIP
10	Next steps and useful contacts

About Just Retirement Solutions

We are part of the Just Retirement Group which launched in August 2004, specialising in providing financial solutions to those at or in retirement. To date, the Group has already successfully helped thousands of individuals achieve a more comfortable financial position in retirement.

Just Retirement Solutions is dedicated to providing you with advice that helps make your retirement an enjoyable and fulfilling time by making the most of your existing assets and maximising your income.

By using our in-depth knowledge and expertise we can offer you specialist advice and make a recommendation on a range of carefully selected equity release schemes from reputable and well-established providers. So, whether you are approaching or already experiencing retirement, we can help you find the solution that's right for you.

Just Retirement Solutions is also authorised and regulated by the Financial Services Authority.



Why choose us?

At Just Retirement Solutions, we spend a lot of time listening to peoples' hopes, aspirations and experiences when it comes to retirement. Our extensive understanding means that we can better appreciate your needs whilst ensuring that our advice is based on your individual circumstances and meets all your requirements. And you can choose between face-to-face advice or advice by telephone, whichever you prefer.

We will also treat you with fairness and integrity at all times. So once we've discussed your requirements and circumstances, we'll be able to advise you whether equity release is a suitable option for you. If it is, then we'll recommend an appropriate equity release scheme for you; if it isn't, then we will explain the reasons why.

Do you qualify for equity release?

If you can answer 'yes' to the following questions, then you may well qualify for equity release:

- Are you aged over 60?
- Are you a homeowner?
- Is your property of standard construction, located in Great Britain or Northern Ireland and worth at least £100,000 (although a lower value may sometimes be acceptable)?

Enjoying retirement

For most people, retirement comes as a welcome rest from years of hard work and raising a family. But what makes a happy retirement? Staying healthy and active, spending time with friends and family are undoubtedly key ingredients. Remaining completely independent and self-reliant is important too. For many, retirement brings the freedom to make the most of all sorts of opportunities. To do what you want, where you want and when you want to do it.

With the chance to really take full control of your life beckoning, the last thing you want is to be prevented from taking advantage of new opportunities or even just from doing all the things that you've become used to. Unfortunately, the reality is that for many people, income at this time simply won't match pre-retirement expectations.

So, rather than looking to expand your horizons in retirement and live life to the full, you might even have to start making savings.

Equity release is one way that can help you maintain your pre-retirement lifestyle by releasing some of the cash locked up in the value of your home.



Is equity release right for you?

Extra money in retirement can come in very handy and our research shows that it is used for a wide variety of purposes. For some people, it can mean significant home improvements or the purchase of a new car. For others, just having a regular boost to their pension can allow regular holidays without financial constraint.

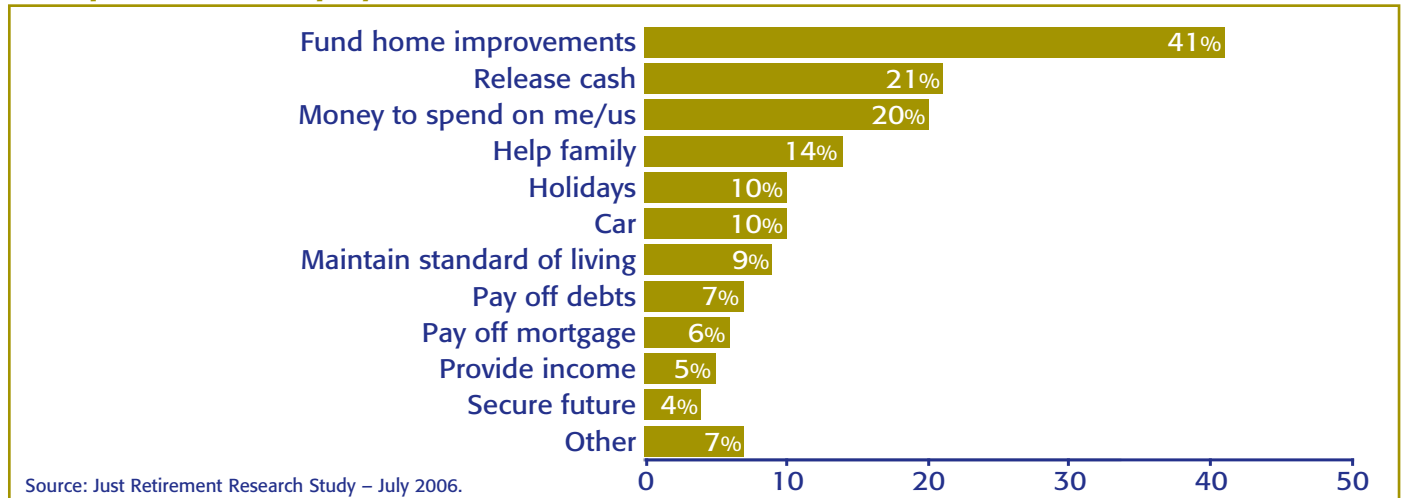
It may even be that other members of the family, such as children or grandchildren, will be able to benefit from a little financial helping hand, perhaps to get a first foothold on the property ladder. Having some additional income means you have the freedom to choose and puts you firmly in control.

Whatever you decide to do with the cash, equity release can be an excellent way of generating more income for your retirement, but it is most definitely not a decision to be rushed or taken lightly. Before taking any action, you will need to consider a number of issues.

For example:

- Will your current level of income last and keep pace with inflation?
- Will any savings or investments you have meet future requirements, for example any private health needs?
- What would the financial implications be for your spouse if you became ill or died?
- If you needed long-term care, who would pick up the bill?
- How much of an estate do you wish to leave behind for any family you may have? Is Inheritance Tax likely to be an issue?
- What is your tax position? An extra income or cash might change your tax liability.
- Is your property in a good state of repair? You will continue to be responsible for the maintenance of your home. Will you have the necessary funds to take care of this?

Most frequent uses for equity release income



Consider the impact on state benefits

One additional important issue to take into account is whether the extra income of an equity release plan would reduce any means-tested benefits that you might be currently receiving. Pension Credit, Council Tax Benefit and Health Benefits are all dependent on income levels, so you need to make sure that you will not end up losing out. Your Just Retirement Solutions adviser will guide you through the implications of your choices on State Benefits and tax.

Consider your options

It's also very important to appreciate that there may be other options you can pursue to secure more income. Your adviser will discuss all your options and their implications with you. For example, if you have savings or investments, you may decide to draw on these first, or you may be able to secure financial help from elsewhere.

Even if you've focused upon your home as a source of income, you could simply sell up and move in with family, or perhaps downsize to a smaller property to free up some capital. You could even decide to manage on your current income and take no action whatsoever.

However, unlocking some of the value in your home without having to move or compromise your current lifestyle may prove to be the ideal solution for you.

Most common areas considered whilst making your decision

- Your requirements
- Your income and assets
- Your financial outgoings
- Your acceptance of risk in investments
- Your retirement plans
- Your future income
- Your health
- Your tax situation
- Impact on State benefits

Source: Just Retirement Research Study – July 2006



How equity release works

Equity release allows you to convert some of the value that's tied up in your home into tax-free lump sums or a regular income. Most importantly, you can remain in your home for as long as you wish and there are no monthly repayments to be made during your lifetime.

There are two main types of equity release plan available:

Lifetime mortgage		Home reversion
<p>You borrow a lump sum or choose to receive a regular income at an agreed rate of interest or for a fixed charge.</p> <p>No repayments need to be made during your lifetime (although you can if you wish) as the interest can be rolled up until your house is sold, either if you enter long term care or when you die.</p> <p>When you die, the repayment of the lifetime mortgage and interest will reduce the value of your estate.</p> <p>With a 'Drawdown' lifetime mortgage you can usually draw more funds from your lifetime mortgage at a later date although this is not guaranteed.</p>	<p>How it works</p>	<p>You sell all or part of your home and in return you receive a tax-free cash lump sum or an income for life. You can stay rent-free in your home for the rest of your life but you are still responsible for its maintenance.</p> <p>When you die the property will be sold and the value of the share retained by you will be paid to your estate.</p> <p>If you and the product provider each own a percentage of the property, then you both benefit from any increases in its value and if the property is sold (either if you are moving or upon your death), the proceeds are split accordingly. Your estate will be reduced by the value of the property share owned by the product provider. If you decide to move, the plan can usually move with you.</p>
<p>You continue to own your entire home and so you or your estate will benefit from any increases in its value, after allowing for interest roll-up. The lender has a first charge on your property.</p>	<p>Home ownership</p>	<p>You can continue to own part of your home and so you or your estate will benefit from part of any increases in its value. However, the product provider owns part of your property and will therefore also benefit from part of any increase in value.</p>
<p>The amount you can borrow is set by the provider based on the current value of your home. You might be able to borrow more with other types of equity release plan.</p>	<p>How much can you borrow?</p>	<p>This type of plan can release larger sums for any customer who qualifies, usually aged 65 and over. However, the cash you receive will not be the full market value of the proportion of the property sold.</p>
<p>You can opt for a tax-free cash lump sum or a regular income.</p>	<p>What will you receive</p>	<p>You can opt for a tax-free cash lump sum or a regular income.</p>



Lifetime mortgage	Home reversion
<p>The interest rate is usually fixed, so you know exactly where you stand and don't have to worry about future increases. However, this also means that you won't benefit from any reduction in market interest rates.</p>	<p>Interest is not charged because you are selling part or all of your home, rather than taking a lifetime mortgage.</p>
<p>Compound interest (interest is charged on the amount outstanding plus any interest charged in previous years) means that the amount of interest can grow quickly.</p>	<p>There are no interest charges so you are able to be absolutely sure of leaving some kind of inheritance.</p>
<p>With a drawdown lifetime mortgage, you only pay interest on the amounts you choose to take so the amount of interest charged and the final repayment should be lower.</p> <p>The interest rate is fixed for each amount drawn at the time the amount is drawn, so you know exactly where you stand and don't have to worry about any future increases. On the other hand you won't benefit from any reduction in interest rates either.</p>	
<p>You can repay the lifetime mortgage at any time although there may be an early repayment charge.</p>	<p>Because you are selling part of your home, it may be difficult to reverse the plan.</p>
<p>SHIP members guarantee that you will never owe more than the value of your home if its value should fall.</p>	<p>SHIP members guarantee that since this is a sale of a house, you will never owe more than the value of your house.</p>
<p>Whichever type of plan you are considering, Just Retirement Solutions' specialist and expert advice will help you determine the most appropriate plan for your needs. Our advisers will look at your circumstances, including entitlement to State Benefits and your specific needs to arrive at an individual solution for you, potentially saving you a great deal in interest, tax or unclaimed benefits.</p>	

Costs and fees involved

With any traditional mortgage, there are always costs and fees involved and it's exactly the same with equity release.

The total of these fees differs from one product to another, but it's likely to be in the region of £1,500 to £2,000. If required, these costs can usually be added to the amount of money to be released.

Typical costs usually include:

Valuation fees, which depend on the value of your property. For example, a property worth £250,000 would attract a valuation fee of approximately £300. This fee is usually payable on application.

Examples of fees payable on completion are:

Just Retirement Solutions charges an administration fee of £549 to cover finding you the most appropriate solution for your needs. This fee is payable on completion and there are various ways of paying this, which your adviser will go through with you. No fee is charged if you don't complete.

The company providing the plan may charge a set-up or arrangement fee to cover their legal and administration costs, typically between £500 and £1,000. You will usually need to instruct your own solicitor and cover their costs yourself. You should allow approximately £500 for these legal costs. A £200 registration fee may also be payable if your property is not registered at the land registry.

Your adviser will discuss and set out all fees and costs in detail before any decision is taken, and will explain the commission that Just Retirement Solutions receives from the recommended company that provides the equity release plan.



Keeping it in the family

Equity release is an important financial commitment that has implications for your family and beneficiaries, so discussing your plans with them is a very wise move. Getting another opinion from someone who understands your situation is often useful and your children might even have some alternative suggestions on how to maintain your pre-retirement lifestyle or be able to offer financial assistance.

In fact, from our experience, most children would prefer their parents to use their financial resources to enjoy a happy and fulfilling retirement now rather than scrimp and save to preserve an inheritance. Also, releasing equity may have advantages or disadvantages when it comes to reducing inheritance tax liability. Whatever the situation, time spent now trying to ensure that everyone is on board with your decision can help prevent any surprises further down the line.

Some valuable peace of mind with SHIP (Safe Home Income Plans)

SHIP is a company dedicated entirely to the protection of planholders and promotion of safe home income and equity release plans.

If you have decided to release equity from your home, you should be aware of the benefits of dealing with SHIP members.

Members of SHIP agree to comply with a code of practice that means you then receive four valuable guarantees:

- All SHIP plans carry a “no negative equity” guarantee which means that you will never owe more than the value of your home even if property prices were to fall.
- The SHIP Code of Practice stipulates that you must obtain legal advice before taking out a plan. Your solicitor is then required to explain the scheme to you outlining the benefits you will receive prior to the completion of the plan.
- The SHIP certificate will clearly state the main cost to your assets and estate e.g. how the loan amount will change or whether part or all of the property is sold.
- Member companies of SHIP must also give you clear information on every aspect of the equity release plan and this must include your rights and obligations.
- Your Just Retirement Solutions adviser will be able to tell you whether the equity release plan recommended for you is provided by a member of SHIP.



Next step

Just Retirement Solutions offers advice on Lifetime Mortgages and Home Reversion products. For full information on both options or to arrange a no-obligation appointment, simply contact us on **01737 233411** or e-mail cbsadmin@justretirement.com

Useful contacts

SHIP (Safe Home Income Plans)

0870 241 6060
www.ship-ltd.org

Financial Services Authority

0845 606 1234
www.fsa.gov.uk

Citizens Advice Bureau

www.citizensadvice.org.uk

DWP (Department for Work and Pensions)

www.dwp.gov.uk/lifeevent/penret





just
retirement

Registered in England No. 5125701.
Just Retirement Solutions Limited is authorised and regulated by the Financial Services Authority.

Please contact us if you would like this document in an alternative format. Telephone calls may be monitored and recorded.

Address and registered office:
Just Retirement Solutions Limited
Vale House
Roebuck Close
Bancroft Road
Reigate
Surrey
RH2 7RU



just
retirement