Equity Release

Do I need advice?

Chartered Financial Planners

Pension TRANSFER Gold Standard

Strategic SOLUTIONS

CHARTERED FINANCIAL PLANNERS

Equity Release
The Facts

Equity Release:
Do I need advice?

This document is designed to help you identify whether an equity release transaction is right for you, and the risks involved for you and your family.

Any action to release equity from your property will have an impact the residual value left in your home in the long term. How much this impact will be depends on the option which is right for you.

We have attempted to distil the key information on the different options and some alternatives to equity release that you may also consider. This will help you decide if equity release is the correct approach for you.

Who are Strategic Solutions?

Strategic Solutions are a firm of Chartered independent financial advisers.

Our knowledgeable independent financial advisers (IFA) cover the whole regulated financial services market.

We are authorised by the Financial Conduct Authority to provide advice on equity release. Our specialist advisers are qualified in this area and will help you to identify your priorities and advice on the best solution to meet your needs.

Chartered Financial Planners

We are proud to have been awarded the prestigious title “Chartered Financial Planners” by the Chartered Insurance Institute (CII). This title is only awarded to financial planning firms committed to developing and maintaining the knowledge and capability of their advisers, so they can deliver the highest quality advice. Chartered financial planning firms must also follow a demanding code of ethical practice. This means we must work in a principled manner that places clients' interests at the heart of the advice we give. The Chartered title assures you of our commitment to the highest standard of customer excellence and professionalism.

What is Equity Release?

Equity Release is the generic term for several different products whose aim is to enable people over the age of 55 to gain access to the equity in their home.

For individuals in retirement their largest asset is often their home. When access to capital is required the only option is to sell the property 'downsizing' to a home of lesser value to release the excess. Some do not wish to move home at the point they need capital so a need arose for a range of products that would allow them access without moving.

The most common way of achieving this is to take out an equity release mortgage with a lender, the amount you can borrow is based on your age and the value of your property, these often roll up interest and end on when the last party to the mortgage goes into a care home or passes away.

Any type of equity release contract will erode (and in some cases completely remove) the residual value of the property at the end of the contract.

Types of Equity Release

There are three basic types of product available:

Roll Up Lifetime Mortgage

- You borrow an initial amount based on your age, property value and needs.
- The interest rolls up with no repayments required.
- At the point the last of the owners enters long term care or passes away the total borrowed plus rolled up interest is repaid to the lender.
- The amount you owe will increase each year

Interest Serviced Lifetime Mortgage

- This works the same as the Roll Up mortgage above except you pay the interest each month so the debt remains level rather than increasing.

Home Reversion Scheme

- This is not a mortgage, you sell some or all of your property to a lender for a fixed price.
- There is no debt but you do not own the portion you have sold, rather you become a tenant for life in the property.
- The provider therefore benefits from any increase in value after the sale.

See page 5 for the pros and cons of each option

equity release in any format will have a lasting impact on your circumstance later in life by reducing your access to capital should you need it for care costs, or to improve your lifestyle in the future, and ultimately the value in your estate available to your beneficiaries will be lower. It is important to ensure you have considered all other options prior to considering an equity release contract.

Alternatives to Equity Release

- Do you have access to other assets such as cash, investments or a pension which could achieve your goal? Our advisers can help you assess any assets you hold and whether they are sufficient.

- Could you downsize to a property with a lower value to release equity without the debt burden?

- Could family provide you with financial support?

- Are you entitled to any benefits you aren't currently claiming? – Your local Citizen's Advice Bureau may be able to assist with this.

- Could you rent out a room in your home? The government scheme allows you to earn up to £7,500 per year without paying tax. (do check if this will have an impact on any benefits you currently claim before deciding).

- Could you get assistance with repairs or home improvement from the local authority, charity or Home Improvements Agency?

Equity Release
Your decisions

Things you need to consider before deciding on equity release

- **How much do you need to borrow?** – remember the more you take out the faster the debt will increase.
- **Do you need the capital now or could you wait for longer?** – remember the longer you have the debt the higher the repayment will be at the end of the contract.
- **Do you need to borrow the full amount now, or could you take it in stages?** – remember the less you borrow the slower the rate of debt build up.
- **Do you have sufficient income to make monthly repayments?**– Whether your repayments are contractual (i.e. you must pay them) or voluntary, monthly repayments will slow the rate of debt roll up.
- **How important is it for you to leave an inheritance for your beneficiaries?** – any type of equity release will reduce the value available to your beneficiaries, the longer the debt is outstanding the higher the chance of leaving little or no value in your home.
- **Do you have any means tested benefits?** – the capital released from income release products can impact your means tested benefits, reducing the payments you receive.

By taking less up front, or by delaying the borrowing to later in life you have the best chance of being able to access extra value in your property. A high initial borrowing over a long term has the potential to fully erode the value in your property, leaving little or nothing for you and your family.

Equity Release
Hidden Impacts

As in all areas of financial planning taking an equity release contract can have unexpected implication for other areas of your finances, some of the key ones are listed below:

Entitlement to State Benefits

Taking equity release will not in itself impact any benefits, however if you retain the cash lump sum rather than spending it straight away it may reduce your entitlement to mean tested benefits such as Pension Credit, help with health costs and Council Tax support.

It is important to get a benefits check prior to taking out equity release, this will ensure you are claiming all benefits you are entitled to, and ensure you understand the impact an equity release may have on these.

You can get a full benefit check, help with claiming and advice on how equity release affects entitlements from an independent advice agency such as Age Partnership or Citizens Advice.

Paying for Care

Equity release may not be suitable to help you meet care costs as it is designed to be repaid when you move permanently into a care home.

If you do not currently receive a care package, speak to the local authority before considering equity release. If your care costs are considered eligible the Local Authority must conduct a means test (A financial assessment). Your income, and capital are taken into account, but your home is excluded if you still live there. If you meet the criteria the authority may contribute to your care.

If you already have a care package it is important to consider how taking equity release may impact this when you are re-assessed. As with means tested benefits the resultant capital or regular payments from equity release may mean you need to pay more towards your care.

Deliberate Deprivation of Assets

If you take out equity release and immediately gift the proceeds to your family, the local authority may say you have deliberately deprived yourself of capital. They have the right to take this capital into account if you require a means test, this may mean you pay more for care,
Your adviser can give you more information on any of these areas.

The Options for Equity Release **Part 1**

Over the next two pages we have aimed to provide the basic features, benefits and drawback of the four main types of equity release. It is important you review these carefully, our advisers will provide more detail on the options that are suitable for you.

Roll-Up Lifetime Mortgage	Home Reversion Plan
Features: • Borrowing can be a single lump sum or regular annual withdrawals • Interest is rolled up (compound) on the loan • The debt is repaid when you pass away or move into a care home	**Features** • You sell all or a percentage of your home to a provider for an agreed price • You retain the right to reside in the property for your lifetime or until you require residential long term care • The provider owns the proportion of the property you have sold and you pay a small rent for occupying the property
Positives: • You receive a cash lump sum, tax free • You retain ownership of your home • There are no contractual repayments • If there is sufficient equity remaining you could borrow more later in life • Some providers allow regular or one off repayments to help reduce the interest rolled up	**Positives** • You receive a cash lump sum, tax free. • You do not accrue debt and no interest is paid • If you do not sell 100% of your property you continue to share in any increase in value • Often you will achieve access to a higher proportion of your house value
Negatives: • The long term cost may be more than downsizing to a cheaper property • There may be high redemption penalties if you wish to repay the loan early • equity release will reduce the value of your estate • There may be high up front fees	**Negatives** • You no longer own either part or all of your property • You will not receive full market value of the property (or portion) you have sold • You will need to pay a nominal rate of rent to remain in the property • You will need the providers permission to make major changes to the property • It is often more expensive over the long term than downsizing • Your estate will be reduced by the proportion you have sold

The Options for Equity Release **Part 2**

Drawdown Lifetime Mortgage	Interest Serviced Lifetime Mortgage
Features: • Rather than taking your borrowing as a one off lump sum, you take a smaller initial amount and drawdown further cash from a pre-agreed facility. • Interest is rolled up (compound) on the loan • The debt is repaid when you pass away or move into a care home	**Features** • You take an initial level of borrowing. • You make payments of the interest each month • Your level of borrowing remains the same • The debt is repaid when you pass away or move into a care home
Positives: • You receive a series of cash payments, which are tax free • You retain ownership of your home. • There are no contractual repayments • You are only charged interest on the amounts you withdraw, meaning over time you will pay less interest than taking a high initial lump sum	**Positives** • You receive a cash lump sum, tax free. • The debt remains the same rather than increasing preserving some of the value of your home • If your circumstances change you can opt to stop repayments, the loan converts to a roll-up lifetime mortgage
Negatives: • The long term cost may be more than downsizing to a cheaper property • There may be high redemption penalties if you wish to repay the loan early • Equity release will reduce the value of your estate • You will pay different rates of interest on each withdrawal, so if interest rates increase you could pay a higher rate for subsequent withdrawals	**Negatives** • If you stop monthly repayments it is often not possible to start them again. • The long term cost may be more than downsizing to a cheaper property • There may be high redemption penalties if you wish to repay the loan early • Equity release will reduce the value of your estate

Deciding to take on an equity release contract is a big decision, and it is very hard or even impossible to change your mind at a later date. Our advisers will help you identify your objectives and long term goals, and chose the best option for you.

Our Advice Process

Our advice process is designed around our customers. We will work with you to quantify your needs and objectives, identify the best product and provider to meet your needs and objectives and ensure you are fully aware of the risks of the recommended solution. Built into the advice process is as much time as you need to fully understand our recommendations before making a final decision.

1

Step 1 is purely educational and is led by you. After getting in touch we will direct you towards this document.
You must take the time to go through this in detail to determine whether you feel you need to advance to step 2. Step 1 is free of charge as this is your time to determine whether to pursue advice or not. Your financial adviser will be able to help answer any generic questions at this stage.

2

Step 2: Step 2 has a charge to be agreed– you will need to agree to this fee with your adviser before starting step 2. This is a non refundable fee and **can't** be paid via the product.

At this stage we start by finding out about you and your current financial circumstances. We need to know about your family, your expenditure and financial needs, your plans and goals.

We look at what other assets you have to meet those goals and talk to you about financial risks, including asking you to complete an equity release questionnaire.

In this stage we are trying to determine whether based on your current circumstances if an equity release contract is the right course for you.

Our Advice Process

Step 3: Step 3 is a formal recommendation from us, to you on the best contract to meet your needs and requirements.

We will take the information and conclusions from step 2 and use them to research the available providers in the market to identify the best product for you.

We will provide you with a formal report detailing, your objectives, our recommended solution and why it is suitable for you.

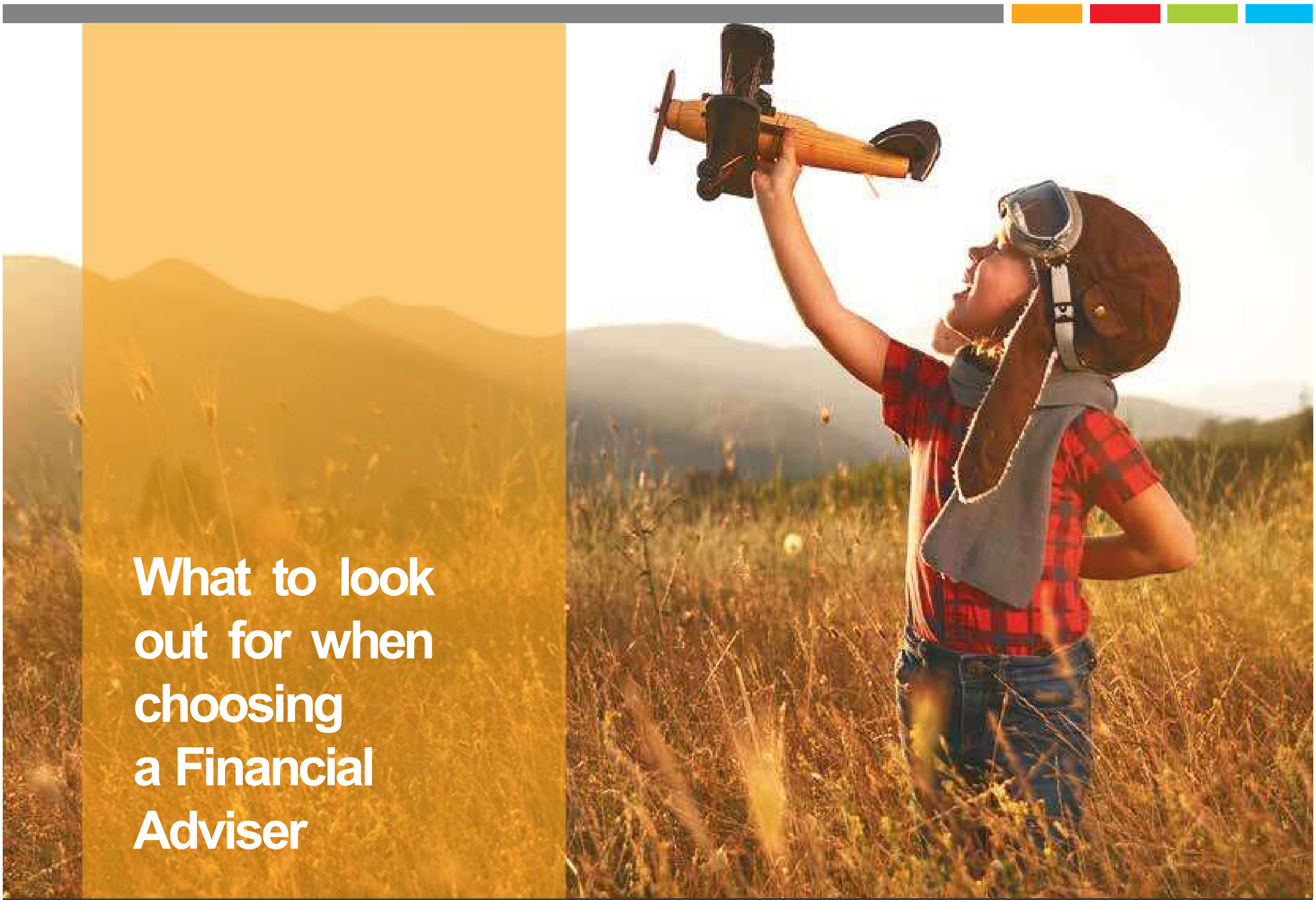
This report is an important document and you should read it carefully, it will also highlight the downsides of our recommended action.

We would always recommend you consider having a member of your family or an third party involved in at least this part of the process to support your decision making.

If you decide to take up our recommendation we will work with you to complete all the forms and submit these to the provider.

We will support you through the underwriting process, this is likely to include a valuation of your property. You will also need to appoint a solicitor to assist with the transaction and we will work with them to ensure the transaction completes as smoothly as possible.

3



What to look out for when choosing a Financial Adviser

	Strategic Solutions
1) Are they FCA Authorised? Is the firm regulated by the UK regulator? Are they covered by the Financial Services Compensation Scheme (FSCS) and the Financial Ombudsman Service (FOS). You can check this by visiting the FCA register. https://register.fca.org.uk/	✓
2) Independent Adviser? Are they an Independent Financial Adviser who can look at the whole of market for your financial needs? Or a Restricted adviser that may be limited to a single company's products ?	✓
3) Chartered Firm? Corporate Chartered status is awarded by the Chartered Insurance Institute to the few firms that have made a public commitment to aligned ethics and values, to providing knowledgeable advice backed up by qualifications and continued professional development, and to seeking good customer outcomes.	✓
4) Fee based? Do they work on a fee basis where costs are transparent and always communicated to you up front?	✓
5) External Recognition or Awards? Does the firm have any external verifications or endorsements of their abilities or achievements?	✓
6) Succession Planning Financial planning is a long-term commitment, does the firm have a strategy in place for their clients by developing new talented advisers to ensure that continuity? Or will you be looking for a new adviser again in a few years?	✓
7) Part of your Community Strategic Solutions has long been committed to supporting its local community. Our dedicated Community Foundation is backed not only by the company but our employees too. www.ssfs.co.uk/community	✓

What we will expect from you

Our process is in entirely based on you, your circumstances and what you are looking to achieve.

We will expect you to be open, honest and forthcoming in your reasons and rationale for wanting to potentially transfer your pension.

At the appropriate stage we will ask you to fill in our internal questionnaires, completing these in full and as much detail will help us with our analysis.

Final thoughts and next steps

The overriding point to take away is that you must remember that you might be significantly reducing the value of your estate, and the overall cost may be more than other options such as downsizing.

The next steps for you now are for you to decide whether taking an equity release will assist you in meeting your goals, If you think it might then the next step is to get in touch with your independent financial adviser.

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