

## Equity Release

A report by Scottish Widows Bank has revealed that only one in four of those currently in retirement expect to have enough money to meet all of their needs in their old age. With 11 million pensioners in the UK, this leaves over eight million who admit to a possible shortfall in their income in the future.

The majority would look to raise money, rather than cut expenditure, with three million considering selling their home and moving to a smaller property, two million saying they would release funds from the home via an equity release product and another half a million considering selling their home entirely and renting.

Equity release is a term which refers to various ways in which older homeowners can use their homes to generate income or lump sums, either with a mortgage repayable on death, or by selling the property but continuing to live in it during their lifetime.

The report then goes on to identify the amount of money retirees who wish to release equity from their home would draw. Of those who would consider using equity release in the future, three out of ten would draw up to £50,000, with a similar amount drawing between £50,000 and £100,000.

Trust in the product, however, is still an issue for almost four out of ten of those who say they won't consider equity release in the future (just over half of retirees in total).

Lifetime mortgages are potentially an excellent product to help transform the lives of those who may have benefited from house price inflation, but who have low income in retirement. It also represents a valuable inheritance tax planning tool. Over half of retirees considering equity release have an estate around £300,000 (the current inheritance tax limit) with only 16 per cent admitting to having taken any significant steps to help mitigate this risk.

As more and more people retire with a worse pension than they expected, often significantly so, but also with a lot more equity in their property than they would have expected only a few years ago, the potential for equity release to enhance many people's enjoyment of their retirement is apparent. However the industry needs to help consumers understand the product better and how today's lifetime mortgages bear no relation to the products sold in the past.

Ridings Law Solicitors was established by Linda Pratt who is a member of the Society of Trust and Estate Practitioners and founding member of Solicitors for the Elderly. Linda lectures nationally to solicitors and other professionals on all legal aspects of equity release mortgages. Linda is very happy to give group talks (free of charge) and individual talks to anyone wishing to discuss the above issues. Please telephone 01943 434 400 and Ridings Law will be pleased to help to give you peace of mind.