

Equity Release

Equity release is a way to borrow part of your home's value, to help you out when you are faced with a major expense or are having trouble make ends meet. When you die your house is sold and the amount you borrowed, including accumulated interest, is paid back. Anything left over goes to your estate.

The most common type of equity release is a reverse mortgage – where you borrow an amount against your property either in a lump sum or by drawing down on the loan as and when you need it.

Here are some things to think about or talk over with family or friends

- Things to consider when selecting an equity release product include whether you can live in the property for as long as you want (even if you owe more than your house is worth), move into care at a later date without having to sell, or what happens if you want to sell and buy another house.
- Interest rates for equity release products are usually higher than normal loans on property.
- While the interest only needs to be paid when your property is sold, the earlier that you take out a loan, the more accumulated interest you will incur, and this may use up a significant part of the sales price, leaving less money for your estate.
- The amount of interest that you pay will depend mostly on the amount that you have borrowed, the interest rate and the time that you borrow the money for.
- Other costs you need to be aware of include valuation fees, application fees, commissions, legal fees, early repayment fees and administration costs.
- If you are in a relationship, it is important you understand how the product works for couples – for example, whether the legal agreement continues for the lifetime of the surviving partner.
- Some government benefits, including rest home subsidies, can be reduced if you have other 'income' through an equity release product.
- Make sure you choose a product that guarantees you won't owe more than the net proceeds from selling your property.
- If you are interested in an equity release product, check it thoroughly and make sure it's right for your situation. Explore other options, such as trading down your house, subdividing a property, taking in a tenant or selling your home to family or whanau. Get good independent advice.



Talking Points:
Enduring Powers of Attorney, **Equity Release**, Financial Abuse, Insurance, Trusts and Wills