

# Hotspot

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Shooting down the false news on equity release



INVESTMENTS

MORTGAGES

PENSION

3

1

2

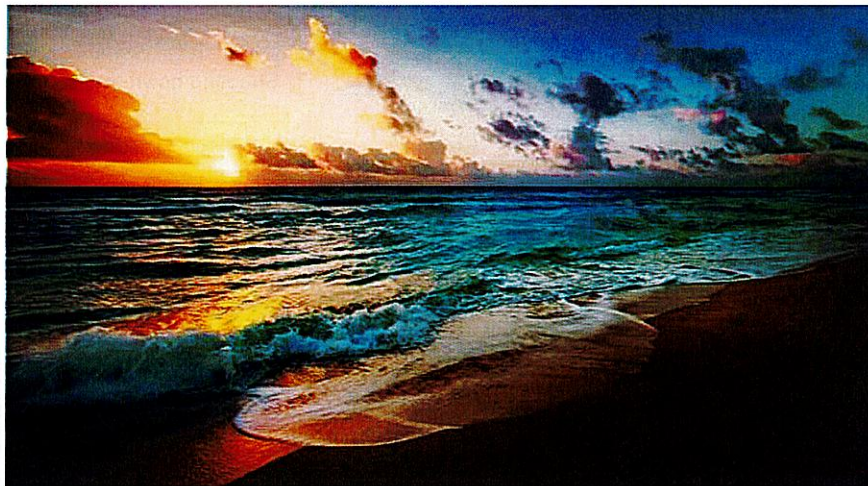
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PROTECTION

4

## There are still many misconceptions about Equity Release

**Fact:** Equity Release is a form of a Lifetime Mortgage Scheme which allows anyone over 55 to access a portion of their own home value, as a tax free lump sum or tax free income facility. The sum, plus the accrued interest would only be repaid on your death or if your property were sold for you to go into long term care. You can do whatever you like with the money, make improvements to your home, increase your retirement income, go on cruises or better holidays, or give your children an early inheritance. Let's face it our children need our help when they are starting off in life not when they are middle aged especially in these days of the rising cost of living.

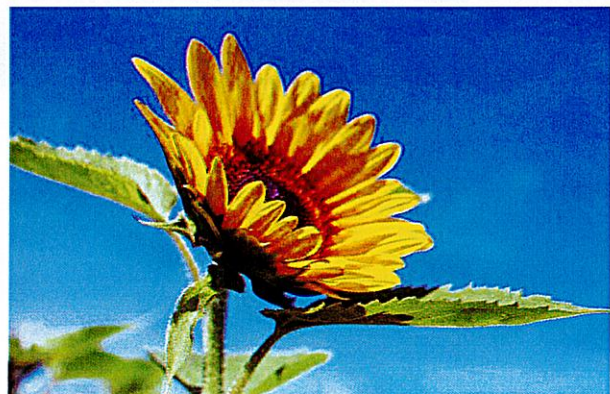
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**Misconception 1.** I have to make monthly payments to repay the loan.

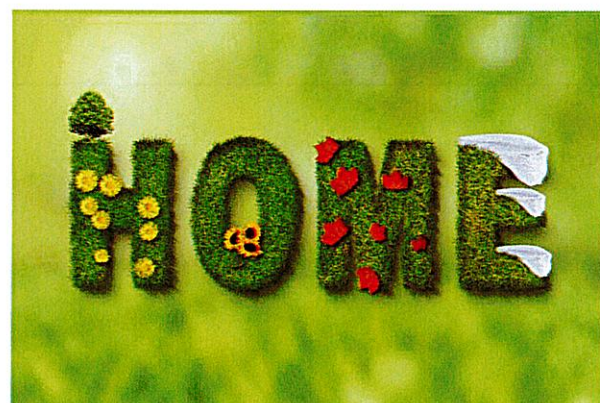
**Fact:** You do not make monthly payments on Lifetime Mortgages, unless you wish to. Some plans allow you to make penalty free repayments up to 10% of the outstanding balance. The mortgage interest will roll up over time and is only paid back to the lender when the home is sold either on your death or sold for you to go into long term care. In the case of joint ownership the arrangement will continue as long as one of you remain in the property.



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**Misconception 2.** I will have to give up my home to the lender.

**Fact:** You will remain the full owner of your home absolutely. You are only borrowing against your own property, with no fixed date and the mortgage will last as long as you need.





**Misconception 3.** I already have a mortgage on my home so I cannot do Equity Release.

**Fact:** Yes you can. You can repay and replace your current mortgage, on which you are having to pay monthly repayments, with a Lifetime Mortgage on which you do not have to pay monthly repayments.

This would immediately give you a boost in your overall retirement income.

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**Misconception 4.** The outstanding mortgage could grow to more than the value of my home.

**Fact:** With a lender approved by the Equity Release Council your plan will have a No-Negative-Equity Guarantee. This guarantees that you will never owe more than the value of your home.

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**Misconception 5.** The outstanding loan in the end could be more than the value of my home and there would be nothing left for my children.

**Fact:** Lifetime mortgage plans are very flexible these days. There are now features in the modern plans in which you can protect a portion of your property to pass on to your children.

Besides, do not forget the value of your home will still be rising in value. The value of housing has been rising over the years and this increase will go some way to offset the outstanding balance of the mortgage, or even beat it.



**Misconception 6.** Equity Release Schemes are very expensive.

**Fact:** They used to be, but the interest rates have become very competitive in recent years.

You would be surprised how cost effective Lifetime Mortgages have become. You can select to initially receive a lump sum but also create a reserve account for later use.

However, the interest is not charged on the reserve until you call down the funds and this is an effective way of limiting the interest charged, but giving you an ideal rainy day reserve for your future requirements.



**Misconception 7.** I have to take a large lump sum as the Equity Release.

**Fact:** Initially you can take a large lump sum as the equity release, alternatively you can take a small lump sum and future drawdowns.



Please contact us if you would like any further information on what the possibilities are for you and your family.

Best wishes

Ray

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