PROPERTY VALUE WEALTH IS INCREASING

£6.17 trillion

the total value of UK property in 2016 according to Savills

57% of over 55s recognise their pension is worth less than their property

84% of over 55s want to grow old in the property they currently live in

2bn the total annual equity release lending across the UK. Proof that people are using property already

Are homes now retirement cash machines?

A holistic approach to retirement planning by accessing your property wealth

Vanessa Carver
Equity Release Specialist

Remember when a mobile phone was just that: a mobile phone? When it didn't connect us to the internet, act as our diary or tell us when the next train is due? Much like our mobiles, the retirement world has changed. The old established view that our income in retirement will be based primarily on our pension will not be enough for most of us anymore.

We need a new way of thinking about retirement. For the majority of us, property is our biggest store of wealth, more so than even our pensions. Yet property is currently used much less than pensions in retirement income planning.

It's important to think more holistically about wealth and being better equipped in this way will help us achieve the retirements we all want to have.

Why is this approach so important now?
The answer lies in a combination of long-term trends and recent changes to pension and tax laws:

1. We're living longer – this is clearly not new news but the very relevant truth of this is that there is less income and less certainty in retirement. The reducing numbers of us who will enjoy final salary pension benefits is also a huge factor.
2. Property value wealth in the UK continues to rise at a rate of knots. For many of us this is our main store of wealth.
3. Since April 2015 we can now access more of our pension from age 55. In other words, we can access pension funds in the same way we would property wealth...
4. ...but, recent changes to tax rules mean that it is arguably better to use property or other savings and investments first, saving pensions for later.
5. Pensions can now outlive us: many of us will be able to leave pensions to our next of kin, tax-free.

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It is clear then that the way we access property wealth and pensions wealth, and the ways we use it are becoming ever more similar. To make the most of this we need to change the way we think about both property and pensions.

However you want to use your pensions, property or other sources of wealth in retirement, it is crucial to do your homework first to ensure you make the best possible decisions for your individual hopes and dreams.

If you are interested in Equity Release, please take a look at our website or call Vanessa Carver our Equity Release Specialist on 01494 817151 for a free consultation or email vanessa@fmifa.com. www.fmifa.com

CASE STUDY

Irene, 81

Irene is enormously proud of her granddaughter, Chloe. She has watched her grow up and qualify as an engineer and get a great job, working in London. At age 27, Chloe is still living with her parents, Tom and Jacky, commuting and saving hard for a deposit for her own place, preferably in London.

Tom and Jacky, both 53, like many of their generation, still have a mortgage, so while they help Chloe out to some extent financially, they don't have access to lump sums to assist her with raising money for her deposit.

Irene wants to help out:
Her house is worth £440,000 and at age 81 she can release more than 45% of the equity. Chloe only needs £60,000 towards a 25% deposit. Having a deposit of at least 25% reduces the interest rate on her mortgage by almost 2%, so Chloe's mortgage payments reduce from £1,250 to £800.

In addition to her state pension, Irene receives a pension from her job as an engineer, so it would probably be possible for her to pay the interest on the equity release loan. The decision is made within the family not to pay any of the interest, but let it roll up, because the interest rate is low at 3.89%, fixed for life.

The option is there to pay off up to 10% of the loan each year, which between them, Chloe and her parents intend to do. Chloe now has a much lower monthly mortgage payment than she expected because of her large deposit, and now her commuting costs have been reduced to a fraction of what she was previously paying to travel into London every day.

Irene is delighted that she is able to see Chloe enjoy her inheritance at a time when she most needs it. Irene was advised to build in a no-cost Inheritance Guarantee, so she is happy that at least 50% of the value of her house is guaranteed to be passed on to her family, however long she lives, regardless of what happens to property values in the future.