PLAN FOR YOUR *future*

Taking control of your finances is vital to ensure you can enjoy the good times throughout life - without any money worries

The ins and outs of releasing cash from your home

See P3

Make the most of your savings

Six steps to sort out your finances and stay money worry-free See P2

Is equity release right for you?

See our myth-buster P7

Welcome...

WE are all living longer and getting our state pension a lot later in life – and we are often receiving a lot less money than we were expecting.

Those of us who have worked hard and saved constantly to build up a pension pot towards our retirement are finding more and more that the rising cost of living is leaving our purse strings stretched to their limit.

This makes it vital for all of us to check where we stand and make sure we know all of our options before we give up the nine-to-five grind and head into retirement.

Don't leave it too late to get on top of your finances for older age. The sooner you start planning, and the more you can put away into your pension pot, the better your chances are of being able to enjoy stress-free and money worry-free years ahead.

Currently, the majority of us will have to wait until our late 60s and beyond to draw our state pension.

If you don't want to have to keep on grafting until you reach state pension age or work a day longer than is necessary, here are the six steps you will need to follow.

Tricia

Tricia Phillips
Personal Finance Editor

SIX STEPS TO A BETTER FINANCIAL FUTURE

Here are some tips to help you make the most of your retirement finances and have a bigger pot to tuck into

1 THE BASICS

You need to know where you stand with your state pension – how much you can expect to receive, and vitally, when you might get it. Many readers have said that when they look up the details on the gov.uk website, they find out they won't get the full basic state pension – currently £168.60 per week – as they don't have 35 qualifying years of National Insurance contributions, or were "contracted out" and paid lower NI contributions for a period of time, so more went into their workplace pension. But finding this out when you retire can be a big shock, so start planning in your early 50s.

You can get a state pension statement so you know what you are on track to receive via **gov.uk/check-state-pension** or contact the Future Pension Centre on **0800 731 0175.**

2 Find your lost pension funds

Track down your pension funds, savings and investments. According to the Association of British Insurers, around £20billion is lying around in lost or forgotten pension pots. Think back to jobs you've had in the past where you paid pension contributions, then use the Government's Pension Tracing Service to help you find them via **gov.uk/find-lost-pensions** or call **0800 731 0193.**

3 TOP UP SAVINGS

If you are in a workplace auto-enrolment pension, try to contribute more than the legal minimum (5% from you and 3% from your boss). If your firm will match your contributions, try to put away the maximum. Top up your ISA savings to give you an extra tax-free pot. Find out if you can fill any gaps in your National Insurance record with voluntary NI contributions - call 0300 200 3500. But check the costs to see if you'll be better off.

4 Know all the options with your savings

Ask your pension provider to know what your pot is worth and the income it is likely to generate. Review all the options when accessing your pension to ensure you get the best value. If you haven't used your free Pension Wise session, do it now (pensionwise.gov.uk/en or call 0800 138 3944). You can also contact The Pensions Advisory Service (pensionsadvisoryservice.org.uk). Talk to a pension professional - find an independent financial adviser in your area via unbiased.co.uk and vouchedfor.co.uk.

5 LOOK AT OTHER WAYS TO BOOST YOUR INCOME

Consider deferring your state pension – you have to do this for at least nine weeks. Every nine weeks equals a 1% increase, just under 5.8% for every 52 weeks, to the amount you get. **Visit gov.uk** for more details on this.

You may wish to retire in stages by reducing your working hours. If your boss doesn't offer this option, check out firms such as B&Q, Marks & Spencer, Wetherspoons and the Co-operative, who have a positive attitude towards older workers.

6 Be aware of crooks

Be wary of dodgy operators and their clever scams to lure you out of your hard-earned cash. Last year, crooks stole a staggering £1.2billion, according to latest figures from industry body UK Finance. Despite the ban on pension cold calling, thieves are still out in force and trying every which way they can to get their hands on your money.

Homing in on *Cash*

How can homeowners utilise their biggest asset to help them with their plans in later life?

As the nation's property wealth passes the £4trillion mark, homes are becoming much more than just bricks and mortar and a roof over our head.

A new report from the Equity Release Council shows that older homeowners are reassessing the traditional roles of property in retirement funding and retirement.

More than half of homeowners aged 45 and over now see the money they have invested in property as part of their financial plans for retirement.

For almost half, taking out a mortgage or loan to access this wealth in later life is becoming a more common way to manage their money, while two in five see it as a reality of ageing.

NEST EGGS FOR RETIREMENT

Tomorrow's pensioners plan to use the money invested in their home to help family members when they most need it and while they are still alive, rather than making them wait a long time into the future when they die.

Others are cashing in on their homes to create a nest egg to cover any unexpected expenses or to help boost their budget.

The report suggests this shifting trend is due to people facing multiple financial challenges as they live longer and have healthier lives, while balancing their needs and providing support for younger generations.

MULTI-PURPOSE FINANCIAL TOOLS

Homeowners aged 45 to 64 are less likely than their older counterparts to see their property as something they will leave behind as an inheritance. Instead, they see it as a multi-purpose financial tool to support their financial plans.

David Burrowes, chairman of the Equity Release Council, said: "The UK's ageing population and the changing retirement landscape mean people are increasingly thinking of property as a multi-purpose financial asset.

"Property is often a person's single largest asset and makes a significant contribution to homeowners' personal finances, as well as providing a place to live."

WHAT IS EQUITY RELEASE?

Equity release is a way of unlocking some of the cash tied up in the value of your property, while still allowing you to live in your home for the rest of your lifetime. You receive a tax-free lump sum, which you can spend on almost anything you wish. With most products, you don't pay a penny back until you – or both of you, in the case of joint borrowing – have died or moved into long-term care, usually when the property is sold and the loan is repaid.

Taking out equity release will reduce the value of your estate and it may limit your financial choices in future.

HOW DOES EQUITY RELEASE WORK?

There are two main types of equity release: Lifetime mortgages and Home Reversion Plans. Both allow you to remain in your home and use the cash you raise for almost anything you wish. They also give you the option of taking the product with you, if you choose to move to a new property that is acceptable to the product provider.

LIFETIME MORTGAGES

These are a type of loan secured against your home. You get a tax-free lump sum with the potential to release further money in future to help with living costs and providing for the unexpected in later life.

The amount of cash you can release depends on your age and the value of your property. You continue to own your home and benefit from any future increase in value.

Usually, there are no regular repayments to make, and often nothing has to be repaid until the last borrower dies or moves into permanent long-term care.

Interest is added until the loan is repaid, thus increasing the amount you owe, but there are options to make monthly repayments.

HOME REVERSION PLANS

As with a lifetime mortgage, a home reversion plan gives you a tax-free lump sum. But this is in return for selling part, or all, of your property to a reversion company.

You won't receive the full market value of the share you sell, because the reversion firm cannot sell your home until you – or both of you, if you are borrowing jointly – have died or moved into permanent long-term care. They need to protect themselves against any potential value loss – for example, if the housing market falls during the term of the deal.

You can stay in your home for the rest of your life paying no (or minimal) rent, and you will still be responsible for its maintenance.

If you sell part of your home to a reversion company, you both benefit from any growth in its value on the share you each own.

ARE THERE ANY SAFEGUARDS?

Equity Release products are regulated and must adhere to the the Financial Conduct Authority's (FCA) standards. They also provide access to the Financial Services Compensation Scheme, if needed.

The Equity Release Council protects the interests of equity release customers. Its members must guarantee its principles, from allowing customers to remain in their property for life to a fixed interest rate – or, if variable, there must be a cap for the loan's lifetime. Also, a no negative equity guarantee means if the amount left after agents and legal fees isn't enough to repay the outstanding loan when a property is sold, neither the customer nor the estate will have to pay any more, provided the terms and conditions are met.

Top five reasons people unlock cash

1. Home improvement
2. Holiday of a lifetime/ leisure activities
3. A new car
4. To relieve financial pressures
5. Gift to family

Source: HUB Financial Solutions Customer Research Jan 2018–June 2019 - Mirror customers' stated intended purpose of equity release

IS EQUITY RELEASE *Right* FOR ME?

Q **I'm thinking about taking out an equity release plan but I'm not really sure what this could mean for my future finances or if I would qualify to do this. What are the pros and cons of taking out one of these products?**

John Brennan, 56, Kent

A Unlocking the cash tied up in your home can be a way to boost your finances during retirement, but it's not the right move for everyone.

Equity release will reduce your estate's value and may affect your benefits in later life. It is a big decision, so it is something that you need to research and consider thoroughly, and should discuss with your family so they are fully aware of your intention and understand the process, too.

It is vital you get specialist advice to help you understand and decide whether this is right for you.

JOHN BRENNAN (PICTURED)

GET SPECIALIST ADVICE

Specialist advisers will create a personal illustration that evaluates your circumstances and shows how much you could release. They will work through the pros and cons with you.

Some of the things you need to consider are whether you have an existing mortgage or loan, and how much these are. Do you have enough equity in your home to be able to release enough cash to repay this balance?

One of the aspects of equity release is that you must repay any outstanding mortgage balance.

Freeing up cash can help you clear an outstanding mortgage or other debts, but it can cost more in the long term. It can help to ease your household budget, chop your regular bills to a more manageable level and means you won't have any expensive debt repayments eating up your pension income.

ADD AGE CONSIDERATIONS

You must be 55 or over to be eligible for equity release, so you will need to consider your longer-term finances carefully. While releasing cash can help your immediate finances, you need to think a little further ahead – releasing cash from your home will leave you with less financial options as you reach old age.

If you have dependents, do you want to leave them an inheritance? There are various types of plans available, and some allow you to leave a portion of your property. You will need to ensure the sums add up in your particular case to allow this.

INTEREST AND EQUITY RELEASE

While you don't typically have to make any repayments on the money you borrow unless you wish to, the amount you owe will continue to grow because the interest will accumulate as it is added to the loan over the long term.

However, equity release can enable you to stay in your family home for as long as you wish in older age, while still leaving you a bit more cash to be able to live a more comfortable lifestyle.

Lifetime mortgages *versus* Retirement Interest-only

There are now a few options available to help those who are struggling with mortgage repayments, including Retirement Interest-only and Lifetime mortgages (a type of equity release). But what are the key benefits of each, and what are the similarities and differences between each?

There is a timebomb ticking for over a million homeowners on interest-only mortgage deals because they have no means to repay the loan at the end of the term.

The Financial Conduct Authority (FCA) says around 1.7million mortgage borrowers have interest-only products.

INTEREST-ONLY CURSE

This is where homeowners only pay the interest on loans and don't pay the actual debt. These were popular in the 1980s and 1990s, when people used them as a way to make mortgage repayments more affordable.

However, many people who took out these deals didn't understand them. Because they were making regular monthly repayments on their home loan, they didn't realise the debt stayed the same throughout the whole mortgage term and they would have to pay the full outstanding balance eventually.

Many of those with interest-only deals are older borrowers heading towards retirement – and smaller pension incomes.

While some have been overpaying or remortgaging on to repayment deals to reduce their balance, debt charity Citizens Advice reckons around one million will have no means to clear their balance when their mortgage term ends.

UNTRAPPING OPTIONS

The mortgage industry is trying to ease the situation. The FCA has allowed lenders to create new products for those who are trapped. Borrowers aged over 55 who are unable to repay home loans at the end of the term now have two types of mortgage options.

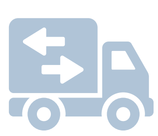
They can take out a Lifetime Mortgage to unlock some of the cash in their home to clear the debt. Or choose a Retirement Interest-only Mortgage, although the repayments may cost more over the long term.

key similarities

Between Retirement Interest-Only and Lifetime Mortgages

Home Ownership: You continue to own your home and will benefit from any increase to its value

Moving Home: You can move home, but you may need to pay back a proportion of the mortgage if you move to a lower-value property



State Benefits: There can be an impact on eligibility for state benefits, depending on the level of savings and/or investments you retain

Minimum Age 55
The minmum age you can take out both products is 55

KEY DIFFERENCES

LONG TERM

Retirement Interest-Only – Not all schemes have fixed loan terms of, say, 10 years. Some can continue until you (or if you're borrowing jointly, both of you) die or move into long-term care.

Lifetime Mortgage – There isn't a fixed loan term – the loan term lasts until you (or both of you, if you're borrowing jointly) die or move into long-term care.

NEGATIVE EQUITY GUARANTEE

Retirement Interest-Only – No schemes offer a No negative equity guarantee.

Lifetime Mortgage – A No negative equity guarantee exists and can be advised by firms who are members of the Equity Release Council.

MONTHLY INTEREST PAYMENTS

Retirement Interest-Only – You will need to make monthly interest payments throughout the term of the mortgage, or until it is redeemed.

Lifetime Mortgage – You can choose to make monthly interest payments. Or instead, the interest will roll up on a compound basis.

INTEREST RATES

Retirement Interest-Only – Interest rates are typically variable, although some may be fixed for a period (for example, five or 10 years).

Lifetime Mortgage – Interest rates are typically fixed for the duration of the mortgage.

AFFORDABILITY

Retirement Interest-Only – The amount you can borrow is based on your ability to afford the mortgage, which is assessed based on your income and outgoings.

Lifetime Mortgage – Advisers can help with affordability assessments. The amount you can borrow is based on your age and the value of your property, and whether you're applying jointly or as an individual.

LOAN REPAYMENT

Retirement Interest-Only – the amount you (or your family) repay to clear the mortgage stays the same as the amount borrowed, provided monthly interest payments are made.

Lifetime Mortgage – the amount you repay to clear the mortgage if you don't make any interest payments will increase as interest is added.

Myth Buster

A recent Mintel survey found that almost half of those aged over 45 knew you must get advice when purchasing an equity release product, yet one in five thought dependents could be left with debt – which is false. Here we dispel some key myths on equity release.

1 IT'S UNSAFE AND UNREGULATED

The industry is regulated by city watchdog the Financial Conduct Authority (FCA). All lenders and advisers must adhere to the standards set by the FCA. Any members of the Equity Release Council (ERC) must also adhere to these.

The ERC provides consumer protection for this market. Members of the ERC must follow a code of practice with strict standards. Firms can only recommend products that meet these standards.

2 I'LL OWE MORE THAN THE VALUE OF MY HOME AND LEAVE MY LOVED ONES WITH DEBT

As part of ensuring they follow the ERC's Statement of Principles, all products recommended by members must feature a 'No Negative Equity Guarantee'. This means that when the property is sold after you die or go into long-term care, you or your family will never need to repay more than your home is worth, even if this is less than the amount owed.

The guarantee applies to lifetime mortgages, which are a type of mortgage secured against your home, provided you meet the product's terms and conditions.

3 I'LL LOSE OWNERSHIP AND CONTROL OF THE PROPERTY

There are two types of equity release product. With a lifetime mortgage, you'll be the owner of your home for as long as you want to live there. With a home reversion plan, the part of it that you sell in exchange for a cash lump sum will belong to the home reversion company. Providing you meet their terms and conditions, you can continue living in your home for as long as you like.

4 I CAN'T RELEASE EQUITY IF I HAVE AN OUTSTANDING MORTGAGE

Yes you can, but you will need to pay off your existing mortgage balance at the same time. You can use some of the money you release to do this. However, using equity release to repay an existing mortgage could cost you more in the long term. An equity release adviser would be able to explain this to you in more detail.

5 I'LL HAVE TO STAY IN THE SAME PROPERTY FOR THE REST OF MY LIFE

With most equity release products you will have the right to move to another property, providing the home you move to meets the lender's criteria.

6 I WON'T BE ABLE TO LEAVE MY PROPERTY AS AN INHERITANCE

Taking out equity release will reduce the value of your estate, however with some products, you can safeguard a portion of your estate to leave as an inheritance for your loved ones.

With a lifetime mortgage, the loan and interest is usually paid back when you move into permanent long-term care or pass away. Normally your property is sold at this point and the proceeds of the sale would be used to pay back the loan. Any money left over from the proceeds of the sale, and after the loan has been repaid, can go to your beneficiaries.

With a home reversion plan, you sell part or all of your home to a home reversion provider in return for a cash lump sum, but this would never be the full market value. So if you choose to sell only part of your home, the part you don't sell can be used as part of an inheritance for your loved ones.

7 IT'S NOT POSSIBLE FOR ME TO REDUCE THE OUTSTANDING DEBT

Some lifetime mortgage products give you the option to pay monthly interest. Although this will not reduce the amount borrowed, the debt will not increase as much as it would if you let the interest build up over time. There are also products that offer you the option to make partial repayments with no early repayment charges. The amount that can be repaid is usually up to a fixed amount each year. Some products also offer fixed early repayment charges that apply for a set time period, so any repayments after this won't have a charge.

8 I WON'T BE ELIGIBLE

To be eligible for equity release, you need to be able to answer yes to the following conditions:

- You are aged 55 or older (or the youngest applicant, if borrowing jointly)
- Your home is in the UK
- Your home is of standard construction
- Your home is worth at least £70,000

Minimum age and property value criteria can vary between product providers.

Bricks & mortar account for 50p of every £1 of household wealth for those aged 55 and older.

Source: Equity Release Council