

## Equity Release and Divorce

### The facts

Sadly, the number of divorces at older ages is going against the general trend in marriage breakdowns where there has been drop of 28% from the figs in 2005 to the latest ONS fig in 2015. The number of men divorcing over the age of 55 has gone from 12,000 in 1995 to 17,000 in 2015. The number of females over 55 has risen from 7,000 to 12,000 over the same period. And, overall the average age of people getting divorced is now 46 as opposed to 39 in 1995.

### The implications

Increased longevity and better healthcare mean that the over 60's are looking towards an active retirement and no longer consider that staying together and putting up with a failing marriage is the only option. Some, especially women, who have little savings or pension themselves have stayed in a failing marriage out of fear of being left with little to live on, which is where solutions such as Equity Release can come into play.

In financial terms the amount of assets within the marriage is key to how the settlement will be structured as it could well be a mix of property, pensions, cash and other investments.

### Why can Equity Release play a part?

A divorce settlement splits the assets but doing so fairly and creating a palatable split is difficult, especially when it comes to the family home. One solution could be using Equity Release, which could allow one party to remain in the marital home but free up cash to pay off the former spouse and helping to ensure they have enough money to live on.

### Let's look at an example

The divorced couple are both aged 55 or over at the time of the divorce.

The family home that the divorcing couple previously shared is valued at £400,000.

The wife wants to continue to live in the family home, but to do so she will have to make a cash settlement to the husband, as the joint savings were insufficient.

This is where Equity Release can play a part in finding an equitable solution.

By taking out a Lifetime Mortgage, which is by far the most common type of Equity Release plan, a loan of 20% of the property value can be secured, which in this case will free up £80,000.

The wife now becomes the sole owner of the family home and passes the £80,000 to the husband, which he can then use to assist him in buying a property of his own.

### How does a Lifetime Mortgage work?

It is a way of unlocking tax-free cash that is currently tied up in a home without having to move or make interest payments. The interest then rolls-up usually on a compounding basis and is repaid only when you have died or entered long term care.

All of the plans that we recommend include 2 guarantees.....

- **A guaranteed right** to remain living in the property either for life or until you need to go into long term care.
- **No Negative Equity Guarantee** - which essentially means that the amount to repay the Lifetime Mortgage on death or entry into long term care can never exceed the value of the property itself, and so no debt can ever be left behind for your beneficiaries from the Equity Release plan.

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## A few things to remember:

You must be 55 years old or over to get a Lifetime Mortgage,  
 Taking Equity Release may reduce the inheritance you leave to your beneficiaries in terms of the value of your estate. It can in the future affect your eligibility to certain means tested State benefits.  
 Equity Release schemes are protected, and schemes like this are regulated by the FCA (Financial Conduct Authority).

*To understand the features and risks of a Lifetime Mortgage, ask for a personalised illustration. If you may be considering a Home Reversion Plan, check that this type of mortgage will meet your needs if you want to move or sell your home or you want your family to inherit it. If you are in any doubt, seek independent advice.*

## Why choose AV Trinity to advise on Equity Release?

We are members of the Equity Release Council and abide by their stringent code of ethics: we give straightforward, transparent advice, always acting in your best interests. We are experienced, award-winning and most importantly, independent: Our promise is to source from the whole market a solution which dovetails perfectly with your requirements.

## The next step?

An initial meeting with one of our advisers will be at our cost and without obligation of any kind. Its an opportunity for you to hear more about Equity Release and how it may be of benefit – but be assured that if we don't think that Equity Release is right for you we will tell you without hesitation.

Equity Release is just one solution and we will explore all the options that are available to us as Independent financial advisers. There are many firms that specialise only in Equity Release and are not able to advise on alternative options so please be aware.



We have a team of male and female Equity Release specialists covering Kent, London, the Home Counties and the West Country.

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