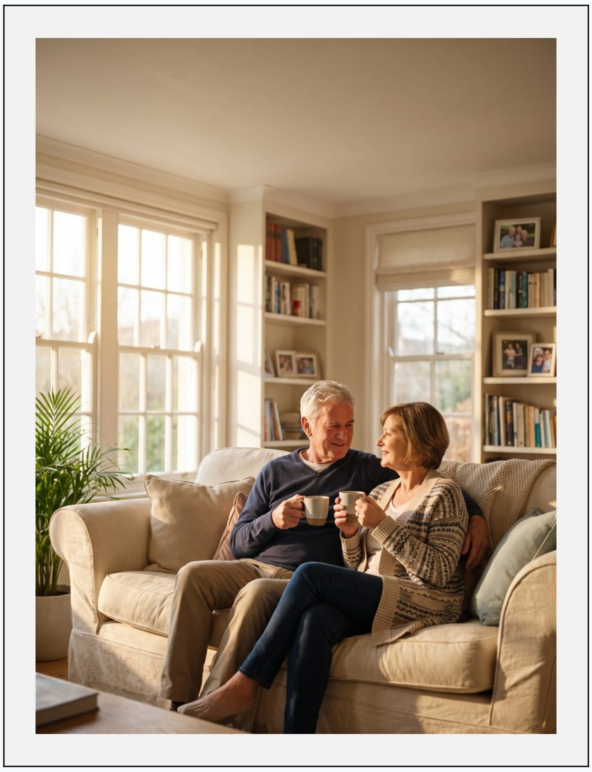
A CLEAR, NO-JARGON GUIDE

Using Equity Release to Help
Your Children Buy a Home in Derbyshire

A guide to the "Bank of Mum and Dad", and what's worth thinking about first



Produced by Mortgage & Finance Arena, Derby

Mortgage & Finance Arena Ltd | FCA Ref: 706676 | Equity Release Council Member
12 Melbourne Business Court, Pride Park, Derby DE24 8LZ
01332 300 300 | info@mortgageandfinancearena.co.uk

Before we start

If you're reading this, there's a good chance a son or daughter is trying to get onto the property ladder, or move up it, and you're wondering whether your own home could help. You wouldn't be alone. More parents and grandparents than ever are stepping in to help with a deposit, and equity release has become one of the ways people do it without having to sell up or dip into savings they might need later.

This guide walks through how it works, what's worth thinking about before you commit, and the kind of conversations worth having as a family first. There's no obligation attached to reading it, and nobody will call you because you downloaded it.

The "Bank of Mum and Dad" in numbers

Helping family onto the property ladder isn't a new idea, but it's become far more common as house prices have outpaced wages, especially for first-time buyers in areas where deposits now often run into tens of thousands of pounds. Many parents want to help, but don't have that kind of money sitting in savings. What they often do have is a home that's gone up in value over the years, with some of that value tied up and hard to access without selling.

That's the gap equity release is often used to fill: turning some of that property wealth into cash, while staying exactly where you are.

How equity release can help

With a lifetime mortgage (the most common form of equity release), you release a portion of your home's value as a lump sum, or sometimes as a smaller initial amount with the option to draw down more later. You keep full ownership of your home and don't need to move. There are no required monthly repayments, though many plans now let you make optional ones if you'd like to.

Some parents release the full amount they want to gift in one go. Others prefer a drawdown plan, taking a smaller initial amount now and releasing more later as needed. This can help keep the interest lower in the early years, since interest is only charged on the amount actually released, not on money left undrawn.

Things worth thinking about before you gift

A few questions are worth sitting with before any money changes hands:

- Is it a gift or a loan? Being clear about this from the outset, ideally in writing, avoids confusion or hurt feelings later, especially if the relationship the money is supporting doesn't work out.
- What if your child's relationship ends? If they're buying with a partner, a solicitor can help set up something like a declaration of trust, which protects your contribution if things change down the line.
- Is it fair between siblings? Some families choose to treat all children equally at the time, others plan to balance things out later through a will. Either can work, but it's worth deciding deliberately rather than by accident.
- Could this affect Inheritance Tax? Money you gift is usually treated as a "potentially exempt transfer", meaning it only falls fully outside your estate for Inheritance Tax purposes if you live for seven years after making the gift.

Worth knowing

If you're released money and gifted it, but pass away within seven years, the gift may still be counted as part of your estate for Inheritance Tax, on a sliding scale known as taper relief. It's worth discussing the timing and structure of any gift with a solicitor or tax adviser.

Conversations worth having as a family

Money and family can be a sensitive mix, even with the best intentions. A few honest conversations upfront tend to save awkwardness later:

- Talk to your child about what the money is for, and whether there are any expectations attached to it
- If you have more than one child, decide together (or at least think through) how this sits alongside what you might do for the others
- Consider involving a solicitor to document the arrangement, whether it's a gift or a loan, so everyone's clear
- Get independent financial advice for yourself, separate from any advice your child is getting on their mortgage or purchase

What happens next?

If this feels like something worth exploring further:

- Speak to a whole-of-market, FCA-regulated equity release adviser who can talk through your own numbers
- Ask your child's mortgage adviser or solicitor how a family-gifted deposit needs to be documented for their lender
- Take your time. There's no need to rush, and a good adviser won't pressure you to

At Mortgage & Finance Arena, we're based in Derby and work with homeowners and families across Derbyshire and the wider East Midlands. We're proud members of the Equity Release Council, and we're just as happy talking things through with the whole family as we are one-to-one.

If you'd like to talk it through with no pressure and no obligation, we're happy to help.

Important information

This guide is for general information only and does not constitute financial advice. Equity release will reduce the value of your estate and may affect your entitlement to means-tested benefits. Think carefully before securing debts against your home. Your home may be repossessed if you do not keep up repayments on a mortgage secured against it. Mortgage & Finance Arena Ltd is authorised and regulated by the Financial Conduct Authority (FCA Ref: 706676) and is a member of the Equity Release Council.