A CLEAR, NO-JARGON GUIDE

Equity Release vs Downsizing:

Which Is Right for Derbyshire Homeowners?

Two ways to unlock the value in your home, compared side by side

Produced by Mortgage & Finance Arena, Derby

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Before we start

If your home has grown in value over the years but your income hasn't kept pace, you're not short of options, but you are short of easy ones. Two of the most common paths people consider are downsizing to a smaller property, or releasing equity from the home they're already in. Both can free up money. Both come with trade-offs. This guide walks through each, side by side, so you can weigh up which one, if either, might suit you.

Two paths, one goal

Downsizing and equity release both aim to solve the same underlying problem: you have money tied up in your property that isn't doing anything for you day to day. Where they differ is in how that money gets released, and what you give up, or keep, in the process.

What downsizing involves

Downsizing means selling your current home and buying something smaller or less expensive, then keeping the difference in value as cash (or investing it, or using it to top up retirement income).

What people tend to like about it

- No debt and no interest. Any money released is simply yours, with nothing owed against it
- A smaller home can mean lower running costs: less to heat, less to maintain, lower council tax in some cases
- It doesn't reduce what's left to your family in the way a growing loan balance would

What to weigh up carefully

- Moving is stressful at any age, and can feel like a big upheaval, especially if you've lived somewhere for decades
- There are real costs involved: estate agent fees, solicitor fees, removal costs, and Stamp Duty on the property you buy
- Smaller or more suitable properties in your area aren't always cheaper than expected, especially bungalows or ground-floor properties, which tend to be in high demand
- Leaving a home you're attached to, or a community and neighbours you know well, is an emotional decision as much as a financial one

What equity release involves

Equity release, most commonly through a lifetime mortgage, lets you release some of your home's value as cash while staying exactly where you are. You keep full ownership, and there are no required monthly repayments, though many plans allow optional ones.

What people tend to like about it

- No need to move. You stay in the home and area you know
- No estate agent fees, removal costs, or the stress of house-hunting
- Money is often available as a lump sum or through a flexible drawdown facility

What to weigh up carefully

- If you don't make repayments, interest builds up over time and can grow the amount owed considerably over a long period
- It will reduce the amount of inheritance you're able to leave behind
- It may affect your entitlement to means-tested benefits
- Setting up a plan involves fees, including advice and legal costs

Comparing the two, side by side

- Cost to set up: downsizing involves moving costs and Stamp Duty; equity release involves advice and legal fees, but no moving costs

- Effect on daily life: downsizing means a new home and possibly a new area; equity release means staying put with no disruption
- Effect on what's owed: downsizing leaves you debt-free; equity release creates a loan that grows over time if left unpaid
- Effect on inheritance: downsizing preserves the cash released as part of your estate (unless spent or gifted); equity release reduces what's left through the growing loan balance
- Effort involved: downsizing requires selling, buying, and moving; equity release requires an application and valuation, but no house move

There's no universally "better" option

Both paths are valid, and plenty of people choose one over the other for reasons that have nothing to do with money: how attached they are to their home, how much upheaval they're willing to take on, or simply what feels right for their family's situation.

Which tends to suit which people?

As a general guide, though every situation is different:

- Downsizing often suits people who feel ready for a change, whose current home is now bigger than they need, or who like the idea of a completely fresh start with no debt attached
- Equity release often suits people who love where they live, want to avoid the cost and stress of moving, or whose local property market doesn't offer a meaningfully cheaper alternative nearby
- Some people do both over time: downsizing first, then considering equity release later if their circumstances change again

What happens next?

If you're weighing up these two options, a sensible next step is:

- Get a realistic sense of what smaller properties in your area actually cost, including all the moving costs involved
- Speak to a whole-of-market, FCA-regulated equity release adviser to see what you could release from your current home
- Take your time comparing both before deciding. There's no need to rush into either

At Mortgage & Finance Arena, we're based in Derby and work with homeowners across Derbyshire and the wider East Midlands. We're happy to talk through equity release options honestly, including telling you if downsizing looks like the better fit for your situation.

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.