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Media Release

Free, independent information on equity release now available

New Zealanders wanting to know more about how to use equity in their homes to help finance their retirement now have access to free, independent and easy-to-understand information on equity release.

The Retirement Commission has launched a new Equity Release section on its personal finance website Sorted adding to its wide range of calculators and information to help people wanting to know how to finance their retirement.

“Home equity release schemes are one way out of the ‘asset rich, cash poor’ trap for many older people. But they can be complex and expensive, so it’s vital people do their homework first,” said Retirement Commissioner Diana Crossan.

The new section explains equity release in easy-to-understand language, as well as identifying things to look out for.

Ms Crossan said Sorted offers people a useful first step before getting qualified independent advice from a lawyer or accountant experienced in equity release.

“We’re filling an important gap. Older New Zealanders and their families can now meet with their accountant or lawyer already understanding the basics and having prepared some questions, which will ultimately improve the quality of advice they receive,” she said.

Home equity or reverse equity mortgages are a way to borrow money using a home as security and the loan can be received as a regular income or a lump sum. The key advantage is that people can continue living in their own homes during retirement.

A recent report by Judith Davey for the New Zealand Institute for Research on Ageing (NZiRA) looked at the potential for home equity release or reverse equity mortgages in New Zealand and explores the motivators and barriers to retired people using housing wealth to improve their standard of living.

Some older people may have inadequate cashflow in retirement yet have considerable wealth tied up in their homes. To date take-up of equity release schemes has been low. However it’s thought equity release will become an increasingly attractive option as our population ages.

Ms Crossan said it was important people ensured they were well-informed about the pros and cons of equity release.

“Many of the products only suit some people. We strongly recommend people visit Sorted as the first step, and then get independent legal and financial advice before entering into an arrangement of this kind.”

For more information about equity release including the advantages and pit falls visit the Retirement Commission’s independent website www.sorted.org.nz.

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