

# Equity Release State Benefits and Equity Release

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## Some benefits may be affected by the decision to release equity from the home as they are subject to means-testing. They are Pension Credit, Council Tax Benefit and Health Benefits<sup>1</sup>.

Benefits not affected by equity release include State Pensions, Attendance Allowance and Carer's Allowance. These benefits are not covered in this document.

### Pension Credit

Pension Credit is intended to bring a person's income up to a minimum level and is paid in two parts:

- **Guarantee Credit** will top up the person's weekly income from £107.45 to £142.70<sup>2</sup> for those with total income below this level. Guarantee Credit is payable from the women's state pension age<sup>1</sup>, sometimes referred to as the qualifying age for Pension Credit.
- **Savings Credit** is awarded if somebody has a minimal level of private income. Savings Credit is payable from age 65.

**Income and Capital** A person's income is usually assessed every five years for Pension Credit, unless there is any uncertainty as to what "retirement provision" they are expecting to receive over that period. This is known as an "Assessed Income Period" and during this period the individual does not need to report any changes in their retirement provision as they are only assessed on what they are receiving or are expecting to receive at the time of assessment. An "Assessed Income Period" may run for an indefinite period where the client is aged 75 or over on the day that the relevant decision takes effect.

For the purposes of calculating an individual's income, an allowance is made for any capital. Capital includes savings, investments and second homes, but does not include the value of the main home. The first £10,000 of capital is disregarded, any capital in excess of £10,000 is assumed to give rise to a weekly income of £1 per £500 capital (or part thereof). For the purposes of Pension Credit, there is no upper capital limit.

Basic State Pension (£)	Occupational Pension Income or State Second Pension (£)	Guarantee Pension Credit (£)	Savings Pension Credit (£)	Total Income (£)
£107.45	£ –	£35.25	£ –	£142.70
£107.45	£10.00	£25.25	£3.39	£146.09
£107.45	£20.00	£15.25	£9.39	£152.09
£107.45	£30.00	£5.25	£15.39	£158.09
£107.45	£40.00	£ –	£16.64	£164.09
£107.45	£50.00	£ –	£12.64	£170.09
£107.45	£60.00	£ –	£8.64	£176.09
£107.45	£70.00	£ –	£4.64	£182.09
£107.45	£80.00	£ –	£0.64	£188.09
£107.45	£90.00	£ –	£ –	£197.45

Figures are presented for a single person aged above 65 on a weekly basis for the tax year 2012/13.

The table demonstrates that if someone has £90 per week private income (i.e. anything over and above the Basic State Pension, such as the State Second Pension or occupational pension income) they will not be eligible for Pension Credit. In the same way, if they decide to use an equity release plan to top up their income and this causes them to receive £90 per week in addition to the State Pension, they will lose

any Pension Credit they are entitled to. They may also lose entitlement to Pension Credit if they release sufficient capital to increase their total capital to above the lower capital limit of £10,000.

To estimate the amount of Pension Credit which you could be entitled to, visit: [www.direct.gov.uk/pccalculator](http://www.direct.gov.uk/pccalculator)

<sup>1</sup> Customers below the women's state pension age may be entitled to income support instead of pension credit. Income support is means tested and their entitlement may be affected by taking Equity Release.

<sup>2</sup> In some circumstances, this amount may be increased, for example if the person is disabled or a carer.

## Council Tax Benefit

Council Tax Benefit is operated by each local authority individually, provides help with the costs of Council Tax and runs alongside Housing Benefit, which provides help with rent and associated costs. Those claiming Pension Credit can apply for Council Tax Benefit at the same time as applying for Pension Credit.

Individuals who are receiving the Guarantee Credit part of Pension Credit are automatically entitled to full Council Tax Benefit. Individuals who do not receive the Guarantee Credit will be assessed on the basis of their income and capital.

For those above the qualifying age for Pension Credit, the first £10,000<sup>1</sup> of capital is disregarded and capital above this amount is assumed to give rise to a weekly income of £1 per £500 capital (or part thereof), as for Pension Credit purposes. For the purposes of Council Tax Benefit, there is an upper limit of £16,000 and individuals with capital in excess of this amount will not receive any Council Tax Benefit.

<sup>1</sup> £6,000 for those below the qualifying age for Pension Credit

### How will equity release affect entitlement to Council Tax benefit?

If they receive Guarantee Credit	Full Council Tax benefit is available, but entitlement to Pension Credit (and thereby Council Tax Benefit) could be affected by equity release
If they don't receive Guarantee Credit	Depending on assessment of levels of personal income and capital:
➤ No capital	➤ Could use equity release to generate a lump sum of £10,000 without reducing entitlement to Council Tax Benefit
➤ Less than £10,000 capital	➤ If amount generated by equity release increases capital amount to above £10,000, Council Tax Benefit entitlement would be reduced or lost.
➤ £10,000 to £16,000 capital	➤ Reduced entitlement to Council Tax Benefit or even none at all, if amount of capital is increased through equity release.
➤ Over £16,000 capital	➤ No entitlement to Council Tax Benefit.

An individual who uses equity release and increases their income or capital may therefore lose some or all of their Council Tax Benefit. Those who are receiving Guarantee Credit will be able to delay declaring their increased income/capital until the end of their "Assessed Income Period" for Pension Credit purposes. Those who are not receiving Guarantee Credit should report any change in circumstance to the relevant authority at the time.

### Health Benefits

People who receive the Guarantee Credit part of Pension Credit will automatically receive Health Benefits.

This means free prescriptions, dental check ups and treatment, sight tests and vouchers towards the cost of glasses or contact lenses and repayment of reasonable travels costs to hospital and back for NHS treatment.

People who receive only the Savings Credit part of Pension Credit may still be able to apply for Health Benefits if they

have a "low" income (assessed individually based on income and expenditure) and savings of £16,000 or less.

If somebody receives Guarantee Credit or is on a "low" income and through using an equity release plan tops up their income or their capital to more than their threshold, they will lose any Health Benefits they are entitled to.

### For Further Information

Guide to Pension Credit (PC1L leaflet) –

[http://www.direct.gov.uk/prod\\_consum\\_dg/groups/dg\\_digitalassets/@dg/@en/@over50/documents/digitalasset/dg\\_180224.pdf](http://www.direct.gov.uk/prod_consum_dg/groups/dg_digitalassets/@dg/@en/@over50/documents/digitalasset/dg_180224.pdf)

Guide to Help with Health Costs (HC11 leaflet) –

<http://www.nhs.uk/HealthCosts/Documents/HealthCosts/HC11.pdf>

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