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Media Release

## Equity release useful for 'asset rich, cash poor' - but do your research first

A report released today by the Retirement Commission shows that most older New Zealanders who have taken up commercial equity release schemes are satisfied with them.

However the research also found that 64% of respondents with a scheme had not considered alternatives to equity release, and only 17% had looked at more than one organisation offering equity release products.

Equity release allows people to borrow money against their home and receive the loan as a lump sum or regular income throughout their lifetime. When they move or die, their home is sold and the loan repaid plus interest.

The research was jointly undertaken by the Retirement Commission and the Office of Senior Citizens, and carried out by Dr Judith Davey and Dr Virginia Wilton, from the New Zealand Institute for Research on Ageing. Eight hundred and fifty New Zealanders who had an equity release scheme, or had considered one, took part in the research.

Retirement Commissioner Diana Crossan said that while the research showed that equity release schemes can be a useful option for older 'asset rich, income poor' New Zealanders, she was concerned by the lack of research into other options.

"Equity release may be an attractive option for ageing New Zealanders. People must investigate all of the equity release options available to see which one best suits their circumstances," she said.

Ms Crossan said people considering equity release, as with most financial products, should compare schemes, understand the full cost, take into account all of the implications, discuss the idea with their family and take professional advice.

The research showed that almost half of the people with an equity release scheme rely solely on NZ Super for their income, most have savings of \$10,000 or less and the average rateable value of their home is \$279,000.

The main uses for the funds released were to improve their standard of living (28% of respondents), or cover the cost of home maintenance (27%), their car (24%) or home improvement (23%). Twenty percent used the money to fund travel and 11% paid off other debt, for example their mortgage.

Before taking out their equity release scheme, most respondents could meet their everyday expenses but had difficulty meeting other costs, for example home maintenance, replacing large household items or having the money to go on holiday.

Three quarters said they had no worries about the safety or dependability of equity release schemes.

Respondents said the best feature of an equity release scheme was that it made funds/income available (39% of respondents). The worst feature was the high interest and costs associated with the scheme (55%).

The report is available at [www.retirement.org.nz](http://www.retirement.org.nz). For free, independent information about equity release visit the Retirement Commission's personal finance website [www.sorted.org.nz](http://www.sorted.org.nz)

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**For more information contact:**

Dr Judith Davey  
Director  
NZ Institute for Research on Ageing  
(04) 463 6746  
[judith.davey@vuw.ac.nz](mailto:judith.davey@vuw.ac.nz)

Robyn Cormack  
Marketing & Communications Manager  
Retirement Commission  
(04) 494 6243  
021 242 7936  
Email: [robyn.cormack@sorted.org.nz](mailto:robyn.cormack@sorted.org.nz)