

Using Drawdowns for short-term borrowing needs

Standard Life Home Finance is aware that the current economic climate has significantly increased financial pressures on many UK households. As a result, some are turning to borrowing as a means of support.

It has always been vitally important that you balance both your short-term and longer term financial needs but now, more than ever, the need to get good quality advice is crucial. Equity release lasts a lifetime and so it is important not to rush into a long-term financial decision just to service a short-term need.

If you're considering releasing further funds from your drawdown facility as a result of the current cost-of-living crisis, we recommend you speak with your equity release adviser to discuss the implications and whether this is an appropriate course of action for you.

However, should you not wish to speak with your adviser, as it's not a regulatory requirement to receive advice before accessing funds from an existing lifetime mortgage drawdown facility, Standard Life Home Finance strongly recommends that you give serious consideration to the following before taking action:

- 1** Releasing equity release funds to cover short-term income needs is an expensive form of borrowing, as the funds are subject to compound interest until repaid; typically on death or entry into long-term care of the last remaining applicant
- 2** Releasing further funds via your drawdown facility will increase the amount of borrowing secured on your home and, as any drawdown releases are also subject to compound interest, it will further reduce the value of your estate and the value of any inheritance you wish to pass on
- 3** Any drawdown funds applied for are subject to the prevailing criteria at the time of application, meaning the interest rate may be higher or lower today than the interest rate you received on your initial advance
- 4** While a drawdown plan allows you to access funds over time, following an initial advance, drawdowns are not guaranteed and changes in property value or other factors may impact this

Once any available drawdown facility has been fully utilised, you may not be able to access further funds, even if you believe your home has increased in value. Therefore, you should strongly consider your long-term needs before making a decision, and be confident you'll have other funding options available in the future, should you need them.

Find out more

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