A Living Legacy:

How one couple used equity release to support their family when it mattered most

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Arthur and Margaret's story

At 84 and 85, Arthur and Margaret were in a position that may be familiar to older homeowners: asset-rich after decades of home ownership. In fact, their London property was now worth £2.5 million. Yet while their wealth was largely held in property, they could see their children and grandchildren facing financial pressures that the couple never could have imagined.

Their children, now in their early 60s, were approaching retirement with their own worries. Meanwhile, their grandchildren, in their 30s, were navigating the most financially strained life stage in recent decades:

- 4-in-10 (43%) working-age people are under saving for retirement when measured against their Target Replacement Rate (a percentage of pre-retirement earnings an individual would need to replace to meet an adequate income in retirement) before housing costs.[1]
- In 2024, 23% of families found it difficult or very difficult to meet their childcare costs[2], with this rising to 31% for families with 0-4s only.[3]
- The cost of living had risen sharply, with UK consumer prices up 9.6% at the peak in 2022 (the fastest in four decades), with January 2026 still at 3.2%.[4]
- Housing affordability thresholds in England have not been achieved since 2001.[5]

Arthur and Margaret could clearly see that the next generations were feeling the squeeze.

For Arthur and Margaret, the question wasn't whether to help, it was how to help in a way that mattered at the right time. They decided they wanted to join the Bank of Grandma and Grandad, but in a structured, and tax efficient way.

1 gov.uk/government/statistics/analysis-of-future-pension-incomes-2025
2,3 explore-education-statistics.service.gov.uk/data-tables
4 ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation, 18.2.2026
5 ons.gov.uk/peoplepopulationandcommunity/housing/bulletinshousingpurchaseaffordabilitygreatbritain, 18.9.2025

Introducing equity release as one option

Arthur and Margaret met with an adviser, who explored multiple possibilities with them. Downsizing felt too disruptive, pension withdrawals risked reducing long term security, and savings alone couldn't achieve the scale of support needed.

Equity release emerged as one option that allowed them to access a portion of their housing wealth now, while continuing to live in the home they love. It also offered a structured way to pass on wealth earlier in life, at a time when the next generations were facing real financial pressures.

Importantly, it was not about achieving a perfect tax outcome, it was about choosing a route that aligned with their priorities: stability for them, support for their family, and the flexibility to act when it mattered.

Although it was not the only available solution, equity release would allow the couple to:

- Unlock cash now without selling the family home
- Enable early inheritance, while they're alive to see the impact
- Potentially reduce their future Inheritance Tax (IHT) liability by lowering their estate value.

The rationale behind their decision

Equity release was the right decision for Arthur and Margaret because:

- Providing early inheritance via equity release can reduce the value of the estate, which may influence the family's future tax position, although this depends on many personal factors and tax rules at the time.
- Sharing wealth earlier can deliver greater real-life impact by helping family members during key life stages.

Important things to know about equity release

Any early inheritance funds are a Potentially Exempt Transfer (PET) and the IHT saved is subject to clients living 7 years post-gift. Releasing equity with a Lifetime Mortgage will reduce the value of your client's estate and potentially affect their entitlement to means-tested benefits.

Equity release can interact with inheritance tax planning, but outcomes depend on individual circumstances and prevailing tax rules. Advisers should ensure any recommendations are supported by appropriate legal and tax advice before implementation. As with any later-life financial decision, there are important considerations to weigh carefully.

The impact on their family

Gifting an inheritance early allowed Arthur and Margaret to support:

- Their grandson to move into a home closer to work, reducing commuting costs.
- A granddaughter to cover nursery fees during a tough period.
- Their children to top up pensions and pay down lingering liabilities.
- The whole family to feel a greater sense of financial stability.

And perhaps most importantly, Arthur and Margaret had the emotional reward of watching their support help to change lives in real time.

> **“What mattered to us was seeing the help land exactly when they needed it, not after we’re gone.**

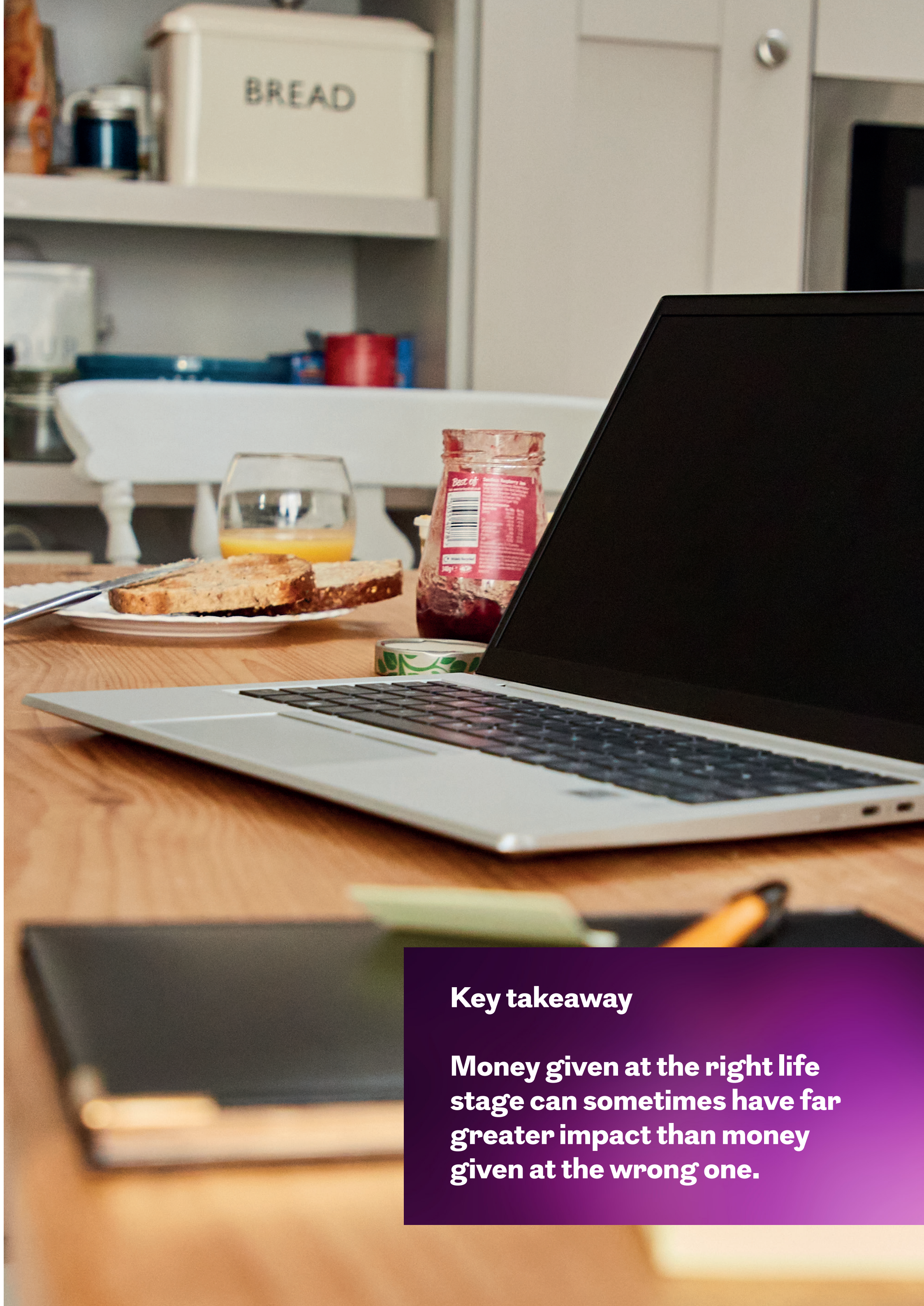
Arthur and Margaret’s equity release felt transformational, but they joined many other homeowners utilising their housing wealth dynamically, with £2.57 billion total annual lending released in 2025.[6]

Why equity release worked for this couple:

- Very high property wealth
- Low remaining life expectancy makes interest roll-up less impactful
- Clear need in the younger generations
- Strong desire to support family emotionally and financially
- They valued being able to stay in their home

For Arthur and Margaret, the real benefit wasn’t financial. It was seeing their family feel less stressed and knowing they could give their family help when they needed it most.

6 Equity Release Council report Q4 2025, 27.1.2026



Key takeaway

Money given at the right life stage can sometimes have far greater impact than money given at the wrong one.

How interest rate environments can influence outcomes

Profile

Ages: 84 & 85
Property value: £2,500,000
Initial loan: £800,000
Term: 8 years
Estate value (incl. gifts, pensions, property): £3,250,000

***Key notes**

Tax outcomes will vary with each clients' scenario.

Exempt gifts play a large role in the IHT saved. For gifts to be exempt from IHT, they need to be given at least 7 years before the final surviving client passes away.

These illustrative calculations do not include any additional costs associated with taking out a Lifetime Mortgage, such as advice fees, solicitor fees, and potential costs including surveyor fees, land registry fees, and other fees. These may affect the overall cost to the client.

These illustrations assume the property is ultimately sold to repay the Lifetime Mortgage, and therefore no Residence Nil Rate Band is applied in the IHT calculations.

Scenario 1: Higher interest rate market (6.4%)

Outcome

Interest accrued: £533,085.19
IHT saved*: £533,234.08
Net saving (IHT saving minus interest accrued)*: £148.89

Why this still could work for the family

Even in a higher interest rate scenario, the net cost can be substantially lower than the interest roll up itself. Meanwhile, the couple get to stay in the home that they love and help their family immediately.

In this example, for Arthur and Margaret's grandchildren, the support arrived during the years when childcare, housing and living costs were at their highest, not decades later when that need had passed.

Scenario 2: Lower interest rate market (4%)

Outcome

Interest accrued: £301,116.10
IHT saved*: £440,446.44
Net saving (IHT saving minus interest accrued)*: £139,330.34

Why this scenario can be powerful

In a lower interest rate environment, access to £800,000 as early inheritance could look more desirable when factoring in IHT savings. It could become a smooth tax efficient intergenerational wealth transfer, with the potential to strengthen the family's financial resilience.

This scenario highlights how the interest rate can dramatically alter the "real" cost of early gifting, turning what seems expensive into a calculation with more nuance.

How term lengths can influence outcomes

Exploring the scenarios

Alongside the prevailing interest rate at the time, a key factor influencing the overall impact of equity release on an estate is how long the final surviving partner lives after funds are gifted.

Understanding this variation helps advisers have a balanced conversation about the range of possible outcomes, rather than relying on a single projection.

Why term length matters

Changes in term length affect three core elements:

- **Interest roll up**: Longer terms increase interest costs; shorter terms reduce them.
- **Estate Value for IHT**: The loan balance reduces the taxable estate. A higher balance will reduce it more than a lower one.
- **Gift tax treatment**: If the gifter passes away within seven years, the gift may become subject to IHT. Survival more than seven years removes the gift entirely from the estate

Lifetime Mortgages tend to have interest rates fixed for life, forecasting the relative costs of rolled up interest against IHT savings has the potential to be a valuable discussion to have with clients.

There is not one guaranteed projection, but a range of possible outcomes.

A small change in longevity can change the balance. Stress-test how the term length impacts outcomes.

How does this work for Arthur and Margaret?

Illustrative differences across four, six, eight and ten years

While interest rates play a key role, term length can be just as influential. Using Arthur and Margaret's profile, the illustrations below show how outcomes can change over time.

Term length	Higher interest rate (6.4%)	Lower interest rate (4.0%)
4 years	£200k extra cost	£106k extra cost
6 years	£176k extra cost	£82k extra cost
8 years	£0.1k saved	£139.3k saved
10 years	£108.8k extra cost	£84.4k saved

These figures show that small shifts in longevity can alter the overall cost of equity release when considered alongside potential IHT savings.

Things to note

These illustrations don't begin to consider the additional considerations, such as:

- Making voluntary repayments against the Lifetime Mortgage loan balance
- The property value changing over time (up or down)
- Gifting strategies
- The clients using some of the Lifetime Mortgage loan lump sum for their own benefit (not as a gift).

Advisers:
Here's what you need to know

Supporting a balanced client conversation

For advisers, this creates an opportunity to explore:

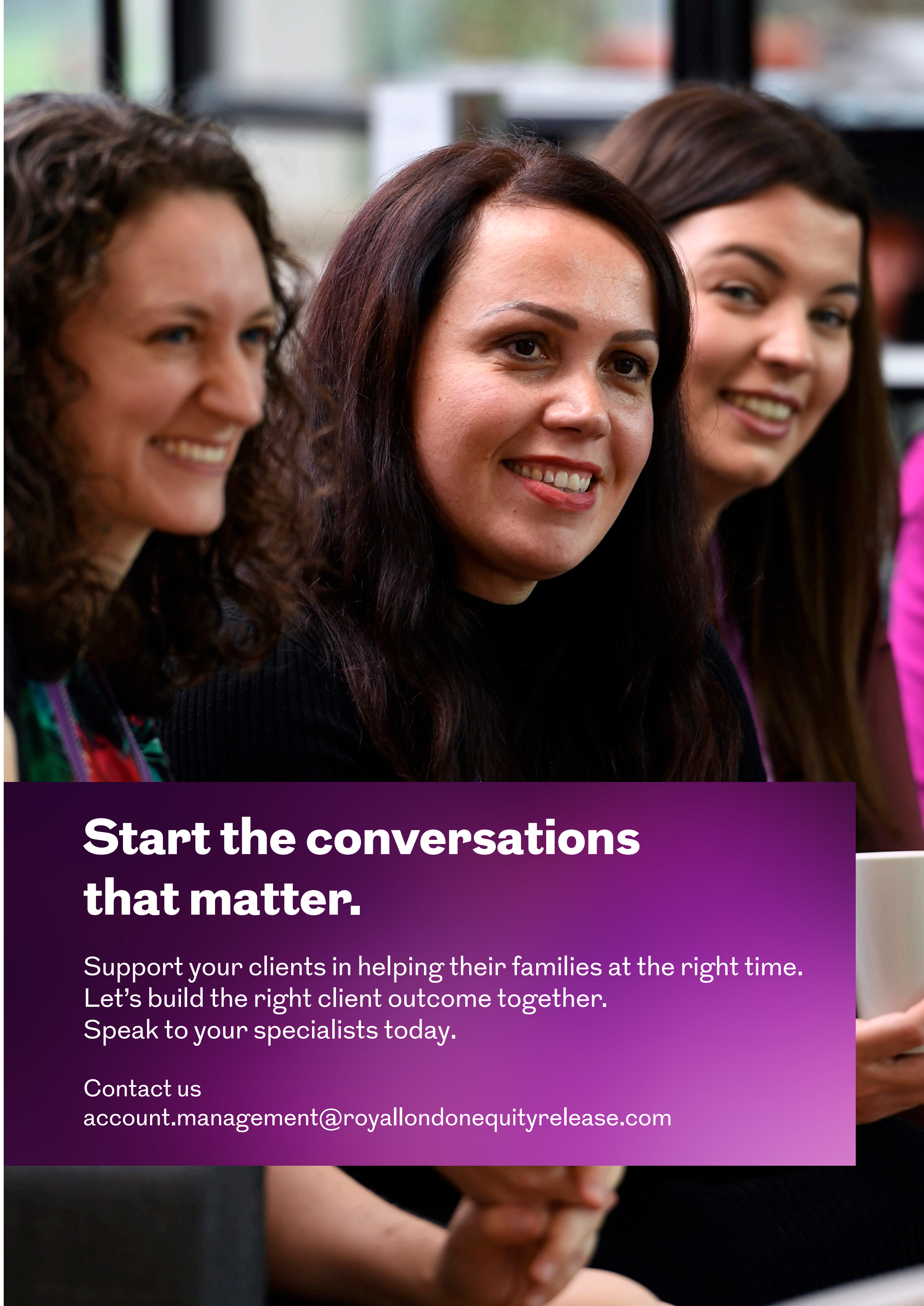
- The probability of different survival outcomes
- How sensitive the results are to small changes in term length
- Whether the value of gifting now outweighs the financial variability

This helps clients make decisions that are informed, transparent and aligned with their priorities, recognising that real world outcomes sit within a range rather than a single fixed point.

Takeaways

- Early inheritance can be far more impactful than waiting until after death: families benefit emotionally as well as financially when wealth is shared at life stages where it truly matters.
- Financial gifting is one possible support system for families who are facing financial pressure.
- Equity release, while not always the right solution, can be a useful option when combined with careful tax planning.
- Interest rates heavily shape the economics, but even high-interest rate scenarios can deliver the right outcomes based on the family's priorities.

For advisers and clients alike, the opportunity lies in recognising that timing is just as important as generosity and that the right support at the right moment can reshape a family's future.



Start the conversations that matter.

Support your clients in helping their families at the right time.
Let's build the right client outcome together.
Speak to your specialists today.

Contact us
account.management@royallondonequityrelease.com

The examples used here are illustrative and do not describe real clients. This is intended to help advisers understand how equity release and inheritance tax strategies may interact in practice. Actual outcomes will depend on individual client circumstances and tax rules.

Basic assumptions made within the calculations in this illustrative scenario:

Lifetime Mortgage interest accumulates monthly.
No monthly payments are made against the compounding interest.
Inheritance Tax allowance values used are as of March 2026.
Potentially Exempt Transfer rule applied: clients must survive 7 years post gift for full exemption.
Clients intend to gift the entire £800,000 immediately.
No investment growth or loss on the gifted funds is modelled.
Assumes beneficiaries use funds without tax consequences (i.e., no income tax implications modelled).

The FCA does not regulate some forms of tax planning.

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