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Affordable housing specialist fires warning against retirees investing their pension directly in property

- The Eqfund Group launches Reap, an ethical annuity plan that offers a fixed income from property without the responsibility and risk of being a landlord.

Following the pension reforms announced in George Osborne's Budget last year, allowing anyone aged 55 or over to access their entire pension pot with effect from April 2015, a stark warning is being issued by Andrew Mahon of The Eqfund Group to people thinking of withdrawing their pensions to invest their money directly in buy-to-let property.

Mahon comments:

"Property can be a great provider of income as long as owners maintain the property and understand the relevant laws; it is simply not a get rich quick scheme anymore."

Mahon adds that there is a lot involved with becoming a landlord that retirees may not have considered:

"You need to learn how to fulfil all of your legal responsibilities including complying with building regulations, tenancy legislation, tenancy deposit protection, gas safety measures and immigration checks to name but a few. It is no longer a simple process letting out property, nowadays there is a heavy administrative burden for landlords and if you fail to fully understand the requirements before purchasing an investment property, you are entering a potential minefield."

He questions whether retirees will make good landlords, worrying:

"I worry that people who are looking to use their pension pot to invest in buy-to-let property might not have the required knowledge. There are currently over 100 different pieces of legislation affecting landlords; unless people are confident that they understand all of their legal obligations, they should re-consider whether buy-to-let is the right option for them."

It is expected that more than 200,000 people are planning to cash in all of their pension pots come 6th April with a lot of them choosing to plunge their cash into the buy-to-let market.

Mahon points out:

"Unless retired people have a great deal of pension money to deploy into their investment, they will usually need to take on a buy-to-let mortgage. A retiree will often not have a regular salary to fall back on if the investment goes wrong, therefore there may be dangers in tying up all of your capital in property."

“Many people assume that you simply buy properties in the same way that you buy your own home. However, buy-to-let mortgages require much heftier deposits; the average buy-to-let loan requires a 25% deposit compared to the standard 10% a purchaser will pay for their own home. If you invest your pension in this way, you could use up most, if not all, of your savings.”

While property undoubtedly offers the security of savings, it requires significantly more effort and there is a great danger that retirees hard-earned pension money is at risk.

As a solution, The Eqfund Group has recently launched The Real Estate Annuity Plan (Reap), which offers the benefit of receiving a fixed income without the hassle of taking on landlord responsibilities and risk.

Reap is a property based financing arrangement where people who are wanting an income from their pension savings can lend their money to an affordable housing provider which renovates derelict properties to bring them back into habitable use. In return, lenders will receive a fixed income at a rate above all of the current traditional insurance or pension based annuity plans.

Reap provides a no-fee, hassle-free way for people to secure a fixed income offering a flat interest rate of 7% p.a. on the money they lend to the programme for an initial five year period.

There is a low entry level of £15,000, which makes Reap an attractive alternative for individuals who are unable or unwilling to commit themselves to a buy-to-let mortgage in their retirement years.

For more information on Reap, please visit: <http://www.myreap.co.uk>

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About Reap

Reap is provided by The Eqfund Group which has had over fifteen years specialising in acquiring long-term empty properties and renovating them to beyond the Decent Homes Standard; once refurbished, the homes are let at an affordable rent to people in housing need.