

Borrowing Their Way – Mike and Martha Replace IO Mortgage with an Interest Serviced Lifetime Mortgage

The client

- Mike and Martha Walker • Aged 72 & 70 • Retired • Property Value £240,000
- Require £96,000 • Loan to value 40% • Interest rate discount 1%



Mike and Martha's story

Mike and Martha Walker are retired and currently pay £400 a month on their interest only mortgage (IO). They were initially comfortable paying this, however, as bills and other costs continue to rise, they are finding it increasingly difficult.

Their financial adviser has explored alternative borrowing options with them and after an affordability assessment determined that they could be paying £1,677.60 per year instead of £4,800 per year on their IO mortgage. The adviser recommends an interest serviced lifetime mortgage, which offers them an interest rate discount of up to 1% if they choose to make monthly payments of at least 25% of the monthly interest.

Mike and Martha can stop making monthly payments at any time. Once the couple has missed more than three payments they can't be restarted, and the interest rate will then increase to the standard rate as the discount will no longer apply.

Scenario overview

Their adviser identifies that an interest-serviced lifetime mortgage will limit the interest roll-up.

Scenario	Monthly payment*	Loan amount	Total monthly payments	Amount owed after 15 years	Total cost of borrowing	Savings (if payments maintained)
Full interest roll-up	£0	£96,000	£0	£316,992	£220,992	£0
25% of interest serviced monthly (Payments maintained for 15 years)	£139.80 (Minimum payment)	£96,000	£25,164	£228,818	£149,982	£63,010

*Please read the product T&Cs [here](#) for full detail.

Conclusion

By paying a minimum monthly payment of £139.80 for 15 years, the Walkers could save up to £63,010 compared to a Heritage interest roll-up lifetime mortgage with no payments. (Please note, they can stop making monthly payments at any time.)

Three months of payment holidays

With interest servicing, the Walkers can take up to three monthly payment holidays in every 12-month period from their completion date. If they miss more than that then the interest rate will increase as the discount will no longer apply for the remainder of the lifetime mortgage.

Disclaimer: For financial broker use only. Specific to Pure Retirement Heritage Special 3 lifetime mortgage. Examples of customer scenarios only. Every case will be different. Scenario based on September 2024 figures.

Thinking about equity release?

Pure Retirement is a specialist lifetime mortgage provider regulated by the Financial Conduct Authority and a member of the Equity Release Council. It is important to consider all options before you apply for equity release.

Pure Lifetime Mortgage Features

Guaranteed no negative equity

Optional monthly repayments

Client retains ownership of the property

Regulated by the FCA and member of the Equity Release Council

Things To Consider

Downsizing and other forms of finance should be considered

Compound interest roll-up

Early repayment charges

Long-term care and state benefits considerations

A lifetime mortgage may impact the inheritance you leave



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