

A 70-Year-Old's Journey Through Interest Servicing with 40% LTV

The client

- Mark Wright • Aged 70 • Single Application • Property Value £350,000
- Requires £140,000 • Loan to Value 40% • Interest Servicing Discount 1%



The scenario

Mark needs to pay-off his interest-only mortgage. He's a part-time consultant planning to fully retire in five years. His financial adviser completes their due diligence including an affordability assessment, and rule out a RIO mortgage. They advise Mark that a lifetime mortgage would be a suitable option.

For an estimated loan term of 15 years, Mark's adviser has reviewed a roll-up lifetime mortgage with an interest serviced one. The interest servicing option applies an interest rate discount up to 1% to customers making monthly payments of at least 25% of the monthly interest. The adviser determines that Mark can afford to pay 25% of the monthly interest (up to £2,447 per year) for five years.

After set up, the monthly payment amount can't be changed, however Mark can choose to stop making the monthly payments at any time, the interest rate will then increase as the discount will no longer apply.

Scenario overview

Mark's 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	£140,000	£0	£462,280	£322,280	£0
25% of interest serviced monthly (Payments maintained for 5 years)	£203.88	£140,000	£12,233	£407,513	£279,746	£42,534

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

Conclusion

By paying a minimum monthly payment of £203.88 for 5 years, Mark could save up to **£42,534** compared to a Heritage interest roll-up lifetime mortgage with no payments. (Please note, he can stop making monthly payments at any time.)

Three months of payment holidays

With interest servicing, Mark can take up to three monthly payment holidays in every 12-month period from his completion date. If he misses 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 use by financial advisers only. Specific to Pure Retirement Heritage Special 3 lifetime mortgage. Examples of client 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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