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# An introduction to **LIFETIME MORTGAGES**

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Unlock the money within your home to enjoy your retirement

# AGENDA

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- ✓ What is a Lifetime Mortgage?
- ✓ Why Consider a Lifetime Mortgage?
- ✓ Types of Lifetime Mortgage
- ✓ Customer Case Studies
- ✓ Key Factors to Consider
- ✓ Frequently Asked Questions
- ✓ Summary

# WHAT IS A LIFETIME MORTGAGE?

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**Equity is the value of your home, minus any mortgage or loan secured against it.**

A lifetime mortgage allows you to access equity and turn it into funds for your retirement:

- You must be aged 55+
- The property must be your main residence
- You keep ownership of your home
- Interest is charged on the amount you borrow – you can either add this to the total loan amount or you can make repayments
- The loan is repaid when your home is sold, usually following your passing or move into long-term care

# WHY CONSIDER A LIFETIME MORTGAGE

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- ✓ Home improvements or adaptations
- ✓ Paying off existing loans and debts
- ✓ Additional retirement income
- ✓ Later life care at home
- ✓ Helping family and friends get on the housing ladder



# USES OF A LIFETIME MORTGAGE

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**Retirement is something to be celebrated and you deserve to enjoy later life. Releasing equity from your property can be an option to provide the financial means to enjoy your later years.**

- We are living longer and longer which means later life financial planning is of increasing importance
- Longer lives mean more freedom but less money
- Many are finding that state and occupational pensions alone are not enough to allow them to live the life they want
- While a lifetime mortgage is not suitable for everyone, for some it can be an effective way of using the funds tied up in their home to make a real difference to their quality of life



A lifetime mortgage may impact your entitlement to means-tested benefits and the inheritance you may leave.

# TYPES OF LIFETIME MORTGAGE

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## 1) **An interest roll-up mortgage**

- You can receive either a lump sum or regular payments
- Interest is added to your loan
- You don't need to make regular repayments
- The total loan plus interest earned is repaid when your property is sold

## 2) **An interest-paying mortgage**

- You borrow a lump sum
- Repayments are made monthly or an ad-hoc basis
- The loan is repaid when the property is sold at the end of the mortgage term

All payments are completely voluntary.

# TYPES OF LIFETIME MORTGAGE

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## 1) Lump sum

- A lump sum can be taken at the start of the mortgage term
- Alternatively a lower lump sum can be taken with a further drawdown facility

## 2) Drawdown or income

- Allows small amounts to be taken on a regular or periodic basis
- Interest is only paid on the money actually borrowed

# CUSTOMER CASE STUDIES

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As we live longer, making the most of retirement is an increasingly popular reason for choosing a lifetime mortgage. You have worked hard to buy your home, and its value can provide you with the retirement you deserve.

## **Mr & Mrs Berkeley wanted a loan of £335,000**

They wished to repay their existing mortgage, improve their overall standard of living, and purchase a holiday home.

Through a lifetime mortgage, they were able to borrow their desired amount and achieve their goals.





# CUSTOMER CASE STUDIES

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Many people wish to help younger family members onto the property ladder and a lifetime mortgage can help them do just that.

## **Mr & Mrs Cern required a loan of £53,000**

The couple wished to help their daughter purchase her first property, for which she needed a total of £90k.

They had only been able to raise £40k on their own.

By taking out a lifetime mortgage, they were able to help their daughter buy her first home, an outcome which the whole family was delighted with.



# KEY FACTORS TO CONSIDER

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## **Are lifetime mortgage plans regulated by the Financial Conduct Authority (FCA)?**

The FCA regulates lifetime mortgage providers and sets out the rules they must follow to ensure that plans are presented in a clear way.

## **Moving to a cheaper property could be another option**

Although many people feel at home in their property and don't want to move, you should be aware that downsizing could be another solution.

## **Taking in a lodger could be another way to raise extra funds**

This is an option you could consider before going through with a lifetime mortgage.

This is a lifetime mortgage. To understand the features and risks, ask for a personalised illustration.

# KEY FACTORS TO CONSIDER

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## **A lifetime mortgage plan will reduce the size of your estate**

By releasing funds in your lifetime that would otherwise stay tied up in your home until you die, a lifetime mortgage plan may reduce the size of your estate and the amount that you would be able to leave to any beneficiaries as an inheritance.

## **Your entitlement to means-tested benefits could be affected**

It is important to discuss with your adviser whether releasing money will have an impact on your means-tested state benefits.

## **Think carefully before securing other debts against your home. By extending the term of these debts you will be increasing the overall cost.**

This is a lifetime mortgage. To understand the features and risks, ask for a personalised illustration. You should always speak to an independent qualified equity release adviser before taking out any lifetime mortgage.

# FAQ'S - APPLICATION

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- ✓ **How much equity can I release?**  
This varies based on your circumstances, age, property value and plan chosen.
- ✓ **Are there any fees?**  
For initial lending there are arrangement, solicitor and advice fees. For further lending valuation fees may apply.
- ✓ **Will I pay tax on the cash released?**  
No, any cash released is tax free.
- ✓ **Would this affect my tax position or state benefits?**  
Depending on your personal circumstances, these could be affected so please discuss matters with your equity release adviser.
- ✓ **Are there any restrictions?**  
Yes, there are restrictions on some types of property that may be eligible for a lifetime mortgage.

## FAQ'S - MONEY

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✓ **Do I still own my home?**

Yes, and you live there until you move into long-term care or pass away.

✓ **Can I move?**

With a portable plan, you can take the plan with you if you move. Please note, there are restrictions on the types of property that may be eligible for a lifetime mortgage.

✓ **Can I end my plan early?**

Some plans allow you to repay the whole loan and interest – please note there may be an early repayment charge which can be expensive.

✓ **Can I borrow more if my property value increases?**

Depending on your plan, you may be able to borrow more based on lending criteria and interest rates – a new valuation will be needed.

# FAQ'S - REPAYMENT

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✓ **How is my lifetime mortgage paid off?**

This varies based on your circumstances, age, property value, and plan chosen.

✓ **Can I leave an inheritance?**

Although a lifetime mortgage reduces your home value, any remaining money left in your property will be left to your estate.

✓ **Who sells the house?**

You or your solicitor will sell the house if you go into long-term care, or if you pass away by the person who is looking after your estate.

# SUMMARY

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- ✓ A lifetime mortgage can be taken out to access the cash value of your home, known as equity
- ✓ You will still own your home
- ✓ A lifetime mortgage can provide the financial means to help you make the most of your retirement
- ✓ It is vital that you receive regulated, independent advice from lifetime mortgage specialists

A lifetime mortgage may impact your entitlement to means-tested benefits and the inheritance you may leave.

**Thank  
you**



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