

Lifetime mortgage guide



What is a lifetime mortgage?

A lifetime mortgage is a special type of loan which is usually designed to run for the rest of your life, and which means that you borrow money that is secured on your home.

The amount you owe to the lender is usually paid back from the proceeds of the sale of your home after your death or after you go into long-term care. If you are borrowing with someone else this would be after the death or entry into permanent long-term care of the last borrower. Any money left over would be paid to your beneficiaries.

What can I use a lifetime mortgage for?

The money you release can be used for things such as supplementing income, funding home improvements, or helping family members onto the property ladder. You can also pay off an existing residential mortgage with a lifetime mortgage meaning you would no longer be tied to making regular monthly repayments, with the interest instead added to the mortgage.

Should I inform my family?

We embrace transparency and encourage you to talk to your family about your plans. Getting them involved means there is less risk of a surprise, now or in the future.

When speaking to your financial adviser, you can always invite a family member to join the meeting, that way everyone hears the same information and they have the opportunity to raise questions or concerns.

Before you consider releasing equity, here are some things you might want to consider. It is important to really understand what it involves and how it fits with your financial plans. Talking to a financial adviser is a requirement and can make things clearer

and make sure this choice is right for you.

Please note, considerations are subject to your personal circumstances and may include those not listed here.

Benefits

1. Financial flexibility – get a lump sum or several smaller payments, giving you security for the future.
2. Stay in your home – keep living in your home whilst you borrow money that is secured on your home.
3. “No Negative Equity” Guarantee – never owe more than the value of your home, even if house prices fall.

Considerations

1. Interest accumulation – interest compounds over time, so the longer your mortgage runs, the more will be due at the end.
2. Reduced inheritance – the balance of your mortgage will be deducted from your estate when the property is sold.
3. Eligibility for means-tested benefits – the money you release will count towards your saving and income; this could take you over the threshold for some means-tested benefits.

How do I repay the mortgage?

Interest is added throughout the life of the mortgage and repayment is not due until after your death or after you go into long-term care. If you are borrowing with someone else this would be after the death or entry into permanent long-term care of the last borrower. Any money left over would be paid to your beneficiaries.

There are no monthly repayments to make although you have the option to repay some of the mortgage each year. This gives you the freedom to reduce the mortgage balance, however, if you decide to repay your mortgage early in full, or repay more than the

annual repayment allowance, there may be a charge. Your financial adviser can explain these costs to you before you apply.

What next?

If you are considering a lifetime mortgage, your first step should be speaking to a financial adviser, you can find independent financial advice through the link below.

www.moneyhelper.org.uk/en/homes/buying-a-home/what-is-equity-release