Leading the way in lifetime mortgages

A guide for advisers and their clients

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What is a lifetime mortgage?

A lifetime mortgage is a type of equity release that's usually for people aged 55 and over. It's a tax-free loan secured against your home that can be a great way to release money tied up in your home for home improvements, gifting to family or just to make life a little easier. You can use it to get some or all of:

A single lump sum, where you take the whole loan all at once

Drawdown amounts can be tailored to your needs, allowing for smaller or larger loans as required

You'll still own your home and won't need to move, though depending on the amount you release, it could impact means-tested benefits you may be receiving. The loan plus any interest will be repaid from its sale when you die or move into long-term care.

Don't forget that paying the loan off will mean that there's less money from the sale to leave to your loved ones.

On the plus side, many Equity Release Council-members, like us, include a No Negative Equity Guarantee. That means you or your loved ones will never owe your lender more than the value of your home.

At L&G, we also offer a type of lifetime mortgage that works a little differently – a Payment Term Lifetime Mortgage. We go into more detail about that on page 6.

“It makes me feel great, because we can help our children...”

June

> “Our children will get our money when we die, but that’s not the time they really need it. They need it now, when there are bills coming through the door and their own children to bring up.”
>
> John

John and June’s story

Retirees John and June used equity release to support their family and helped them open **“a whole new chapter in life.”**

The couple have lived in the same village for 30 years and are deeply rooted in their community. A lifetime mortgage boosted their finances, allowing them to stay in the home they love and help their children at critical times in their lives.

“It makes me feel great, because we can help our children, without having to sell our home when we don’t want to do that, or change our lifestyle” says June.

“And it’s given me complete peace of mind; I know that if something does happen to John, I can stay in this house if I want to.”

“It’s the best decision we’ve ever made,” says John. **“We have all the benefits of living here, but all the benefits of being able to help ourselves, our children and our grandchildren – and have a lot more fun.”**

Types of lifetime mortgages

You can choose between our different lifetime mortgage products:

Type of lifetime mortgage	Who are they good for?	Key details	Do we offer it?
Interest Roll Up >	It suits people who want flexibility but don't want to make monthly interest payments.	• You can draw down your money as one big tax-free lump sum or several smaller ones, without having to pay interest every month. • The interest is added to your loan, which means the amount you owe can grow quickly.	✓
Optional Payment >	It suits people who want flexibility and are happy to make monthly interest payments, with the option to stop them.	• You can draw down your money as one big tax-free lump sum or several smaller ones, while paying some or all of the monthly interest on your loan. • You can stop making payments whenever you choose but once stopped they can't be restarted. • Any unpaid interest is added to your loan so depending on how much you pay and for how long, the amount you owe could grow quickly.	✓
Payment Term >	It also suits those who want to make interest repayments for an agreed term, for example until retirement.	• It's for people aged 50 and over, and gives you a tax-free lump sum. • You make full monthly interest payments for a pre-agreed period of time which can run up to the oldest borrower's 75th birthday. After that the interest is added to the loan. • Paying the interest reduces the overall cost of the loan but if you don't keep up the monthly payments, as a last resort your home could be repossessed.	✓

What's the best type of equity release for me?

Like all financial products, equity release isn't right for everyone. That's why you can only take out a lifetime mortgage or home reversion plan through a qualified financial adviser. They'll make sure you understand the product and are confident that it's right for you and your circumstances.

To find out more, take a look at our **frequently asked questions about equity release**. And if you're ready to take the next steps but don't have a financial adviser, you can find one on **Unbiased**. They'll be able to talk you through your choices and help you explore all the products available to you.

"It's nice to be able to hear the relief in the customer's voice."

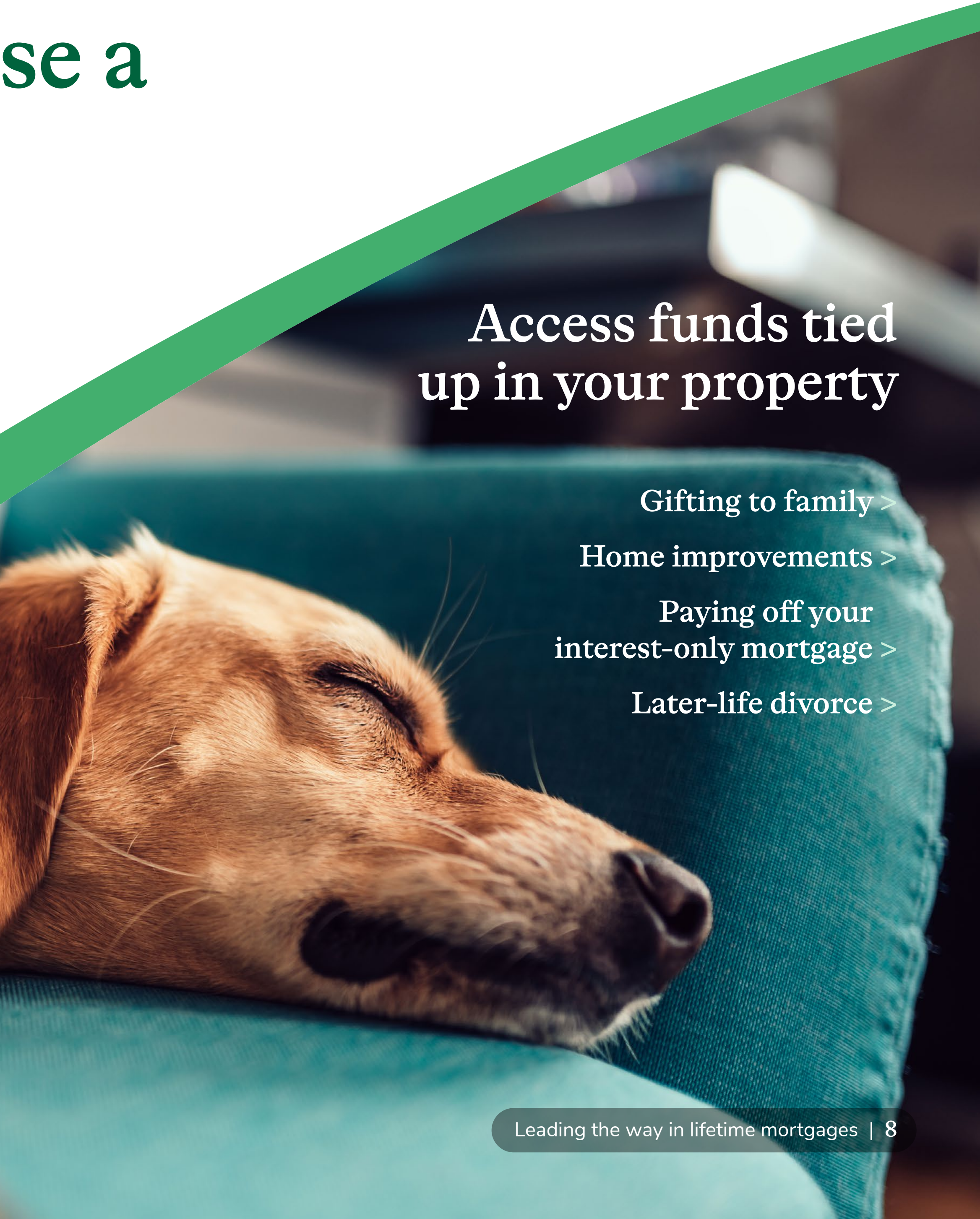
Abigail, Customer Service Team Manager

Why do people choose a lifetime mortgage?

Many people opt for a lifetime mortgage for various reasons. It could be to fund home improvements, enjoy the joy of gifting money while they can witness the impact, or simply to enhance their quality of life. A lifetime mortgage can alleviate financial stress by providing some much-needed financial flexibility.

Some people use equity release to help family members, such as contributing towards a house deposit or university living costs. It's also a way to fund personal projects or experiences, such as traveling or starting a new hobby. You may be aiming to clear an existing interest-only mortgage or gift to family, giving you peace of mind.

Ultimately, equity release can provide you the means to access funds tied up in your property, allowing you more freedom and choice in your financial planning during retirement.



Access funds tied up in your property

Gifting to family >

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“He was stuck in my office working, and I watched him get very low.”

Evadne

Gifting to family

Many of us think we can’t afford to help our family financially until after our own death. But it’s so much nicer to be able to be there when help is really needed, to pay university fees, contribute to a wedding or top up the emergency fund when money is tight.

A ‘living inheritance’ can mean giving children or grandchildren a step up at the start of their journey, and **equity release** is one way of gifting money to family when they need it most.

Her son was able to put down a deposit on a house, while Evadne kept the home she loves.

Evadne's story

A lifetime mortgage helped Evadne rediscover adventure after Covid and support her son during lockdown.

"For various reasons he moved in with me through lockdown," she says. **"His entire career changed – before, he was travelling round the country meeting people, which is what he likes and what he's good at. But he was stuck in my office working, and I watched him get very low."**

As a mother, she instinctively wanted to help. And she knew that having a home of his own place would be lifechanging. But when she told her son what she was planning, he was horrified.

"He said, don't do it, what are you going to do in later life? But I explained that if I have to go into care, I will sell the house."

For Evadne, it was the perfect solution. Her son was able to put down a deposit on a house. While Evadne kept the home she loves while helping him regain independence.

Home improvements

During retirement, your home is your safe space and it's time to enjoy everything you worked for over the years. It's a chance to make the improvements you've always thought about.

Not to mention any tweaks that could be required as you get older. For instance, you may need to make your home more accessible with a stairlift or walk-in shower.

"I wanted somewhere that was sustainable – which is about only using what you need"

Lillian

She found herself with a shortfall of about £30,000

Lillian's story

Turning a 'doer-upper' into your forever home is expensive and usually goes over budget. And when Lillian converted a former chapel into her sustainable dream house, she found herself with a shortfall of about £30,000.

But thanks to a lifetime mortgage, Lillian was able to make her dreams a reality – starting with clear vision for the chapel. She planned the build carefully to create a home big enough to host and small enough to be manageable and meet her need as she gets older. With extras such as an air source heat pump to insulate her from rising utility bills.

"I wanted somewhere that was sustainable – which is about only using what you need," she says. **"I'm very economical in that sense. But everything in this house is the best quality I can afford."**

Now Lillian can look forward to the future, relaxed and happy in house that's now her home.

“What am I going to do when my interest-only mortgage ends?”

Robert

Paying off your interest-only mortgage

Some people release equity from their home to help pay off their mortgage. Knowing that you own your home can take off the financial strain of monthly outgoings and give you peace of mind. Not to mention the flexibility of having more disposable income, and the chance to enhance your lifestyle with travel and home improvements.

> “I found this flat 25 years ago. It was advertised at £87,000. I recently had it valued for £1 million, which was… wow!”
>
> Robert

Robert’s story

Robert bought his home in Brixton with an interest-only mortgage twenty-five years ago. Since then, he’s put down deep roots and added a sound-proof studio that’s essential to his work as a vocal coach. But when his mortgage ended, he didn’t have enough to pay off the remaining sum.

When exploring his options, he thought a lifetime mortgage could be right for him.

“I started to think - what am I going to do when my interest-only mortgage ends?” Says Robert. **“I found this flat 25 years ago. It was advertised at £87,000. I recently had it valued for £1 million, which was… wow!”**

A lifetime mortgage allowed Robert to take out a loan against the accrued value to stay in his much-loved home.

Robert adds: **“It’s wonderful to know that I can stay here the rest of my life, without paying anything, and then the debt being paid at the end of my life. It takes the pressure off and allows me to continue a great quality of life.”**

According to a recent study, **only 10%** of divorcing couples sought professional financial advice.

Later-life divorce

Later-life divorce can be extremely financially complex. That's because older couples have usually built-up wealth in property, pensions and savings – and have less earning potential as they reach retirement.

According to a recent study, only 10% of divorcing couples sought professional financial advice. Talking to an adviser can help both parties evaluate their options to find the best solution before coming to an agreement.

Equity release can be an attractive option for older people looking to stay in their homes post-divorce. It allows homeowners to access the equity tied up in their property without having to sell it. This can provide a vital source of funds to cover the costs of divorce and enable one partner to buy out the other.

Barry and Julia – a scenario

After 40 years, Barry and Julia decide to divorce and move on amicably. They have two grandchildren, which Julia looks after regularly – and Barry has agreed Julia can stay in the family home, as Barry's pension is enough for him to live comfortably.

However, Barry needs some extra money to cover immediate costs and move out. Plus, while Julia receives a moderate pension, she has no savings or investments. And she's worried she won't have enough income until she gets her settlement.

Which is exactly what a lifetime mortgage can do for them.

Barry and Julia release a lump sum of money to cover the divorce costs using an Interest Roll Up Lifetime Mortgage. This allows Julia to stay in the family home and covers the cost of Barry moving into his new property. All with no monthly repayments.

Debunking equity release myths

Retirement has changed. We're living longer and our expectations of this time has shifted considerably.

It's no wonder more people are considering property wealth as a tool to fund their retirement. After all, there could be more equity in their homes than cash in their pension pots.

Like any financial decision, some people may be worried about what could happen once they sign on the dotted line. To help work through these questions, we've debunked some of the most common misconceptions.

'I won't own my home anymore'

You don't need to worry about losing your home when you take out a lifetime mortgage as it doesn't mean you're selling your home to the lender. It's a loan secured against your home that'll be repaid when you die or move into long-term care.

'A lifetime mortgage is a home reversion scheme'

Although the two products are different, a lifetime mortgage and a home reversion scheme both come under equity release, which is where it can be confusing.

A home reversion scheme is where you sell a portion of your home to a provider, essentially making you a tenant in your own home with the right to stay. But with a lifetime mortgage, you still own your home.

'A lifetime mortgage will leave me in debt'

Just like with regular mortgages, there are some initial costs you may need to pay such as product application and solicitors fees. But unlike traditional mortgages, the interest rates are fixed and stay the same over the course of the loan.

Some lifetime mortgages allow you to pay off some or all the interest, but not all products require it. If you choose not to pay the interest, it's added to the loan and paid off once you die or move into long-term care. Whatever you choose, there's a wide range of products you can explore to suit your needs.

'My children will lose their inheritance'

Lifetime mortgages that fully meet the Equity Release Council's standards are required to have a No Negative Equity Guarantee. This means your estate will never owe more than the value of your home.

You can also choose to add Inheritance Protection to your lifetime mortgage to guarantee your beneficiaries a proportion of the net sale proceeds from your home.

Key things to consider

Whether you're looking to pay off an existing mortgage, make some essential home improvements, or gift money to a family member, a lifetime mortgage can help. Use this simple checklist to find out if you're eligible:

A lifetime mortgage could be a great option for you, if:	✓
You are aged 55 (or 50 for the Payment Term lifetime mortgage) or over	☐
You own (or are buying) your own home	☐
Your home is worth at least £70,000 or £100,000 depending on your property type	☐
Your home is freehold Leaseholders may qualify if the remaining lease plus the borrower's age combined is at least 160 years. But the remaining lease term must be 75 years or more, regardless of the borrower's age.	☐

A lifetime mortgage might not be the best choice, if:	✕
You have other sources of income like investments or savings	☐
You're looking to downsize	☐
You're looking for a short-term solution	☐
You qualify for a personal loan or residential mortgage	☐

Interest costs

Lifetime mortgages interest is charged on a compounding basis, meaning interest is charged on the loan amount plus any interest already added. This will reduce the equity left in your home and could reduce the equity available for future borrowing.

Your financial future and long-term goals

There are cheaper ways for you to borrow money – the interest rate on your current mortgage, if you have one, may be lower than the interest rate for a lifetime mortgage and you should consider if your current lender will charge you for repaying your mortgage.

Negative equity

Our No Negative Equity Guarantee means whatever happens you'll never repay more than the value of your home when it is sold - even if that's less than the amount owed. We recommend carefully reading our Terms and Conditions and understanding the financial implications before you make a decision.

The No Negative Equity Guarantee won't apply to any Monthly Interest Payments you fail to make in full, and on time, throughout the Payment Term. This includes any interest which has accrued on any Monthly Interest Payments you fail to make.

“That equity release mortgage changed their lives, it made a massive difference”

Chris, National Account Manager

Getting financial and legal advice

Speaking to a financial adviser

Speaking with your expert adviser will help you make an informed decision. They'll explain exactly how it works and what you can achieve with your finances in the long run.

Plus, they'll show you how it can help you hit big financial goals, like planning your retirement or estate. And tell you about any fees, terms and the potential risks, so you have everything you need to know to move forward with confidence.

Then if you still have any questions, they'll get you the answers you're looking for as masters in their field.

Getting legal advice

You may need to choose a solicitor to represent you. They'll take you through what a lifetime mortgage means legally and handle your application. This includes conducting searches, explaining probate, and discussing your will, along with other legal matters.

“People often come to us at a point of crisis. It’s often quite an emotional call.”

Adam, Head of Care Service

Care Concierge

Navigating care with confidence

Your journey to find the right care for your family can be complex and overwhelming. That's where Care Concierge steps in.

We offer free guidance and information over the phone to help you understand, find and fund adult and later life care. We can talk you through the care system including any state funding you might be eligible for.

Whether you have an immediate need for care, are doing some research or would just like an informal chat, our care experts are there to support.

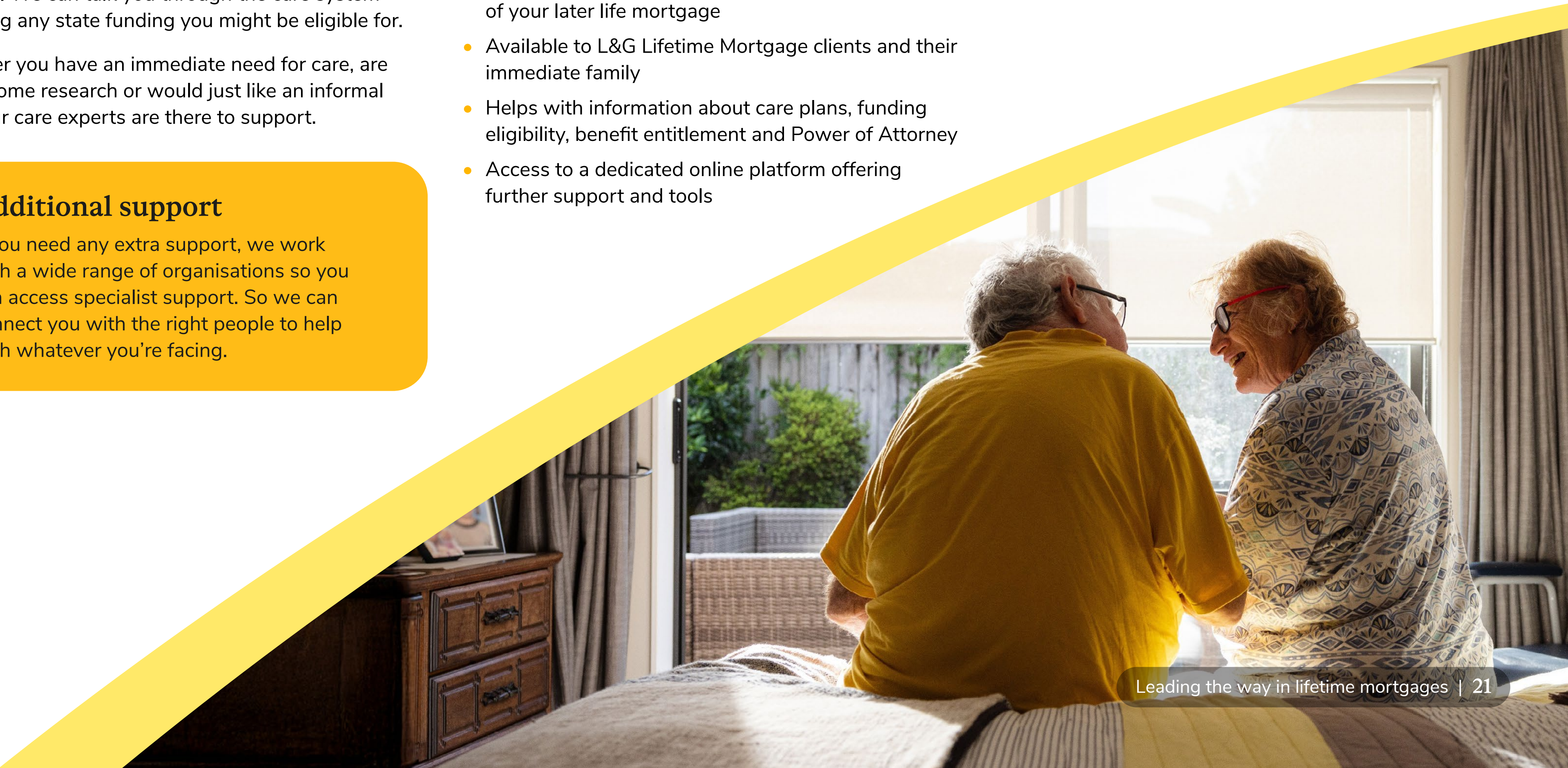
Additional support

If you need any extra support, we work with a wide range of organisations so you can access specialist support. So we can connect you with the right people to help with whatever you're facing.

It's available to L&G Lifetime Mortgage clients and their families, is unlimited and completely free of charge, so you can give us a ring whenever you need.

Good to know:

- Included at no extra cost and available from day one of your later life mortgage
- Available to L&G Lifetime Mortgage clients and their immediate family
- Helps with information about care plans, funding eligibility, benefit entitlement and Power of Attorney
- Access to a dedicated online platform offering further support and tools



“The team have been brilliant; I can’t fault them. The emails that came through were incredibly professionally put together with all the right details and information that we needed.”

Katherine’s Story

Katherine contacted our Care Concierge team for some guidance and support during her father’s care journey.

We asked Katherine to describe her experience of using Care Concierge...

“The first time I called was when my mum passed away, when we noticed that my dad was beginning to struggle at home by himself. I spoke to Care Concierge and amongst other things, they suggested ‘Meals on Wheels’ as an option for dad. As a result, I spoke to the adult services team at the council and they put ‘Meals on Wheels’ in place the following week. The people that arranged it have been absolutely fantastic, but I would never have known about it without Care Concierge.

The second time was after dad became unwell and collapsed, resulting in a stay in hospital where we were advised it was unlikely he would be able to continue living independently at home. The team talked me through the hospital discharge process and helped me explore the support available.”

"She said it made the absolute world of difference to her"

Jo, Business Development Manager

Frequently asked questions

Do you pay tax on equity release?

No, the money you receive is currently tax-free.

Who is eligible for equity release?

To release equity, you must be 55 or over (or over 50 for our Payment Term lifetime mortgage). As equity release involves taking out a loan secured against your home, you usually need to be living in it or in the process of buying it. Different lenders will apply other conditions too. They'll probably look at:

- the size of your mortgage
- the value of your home
- whether it's a house, a flat, or a studio or bedsit
- what sort of condition it's in.

Some types of property, like homes with private water supplies, with thatched roofs, with more than 15 acres of grounds or with livestock, may be more difficult to release equity against.

Can I pay off equity release early?

Yes, if you take out a lifetime mortgage, you can pay back some or all of it early. But lifetime mortgages are long-term products, so that's usually not the best option. You'll probably have to pay an early repayment charge (ERC), which can be very high.

There are certain circumstances where you won't have to pay an ERC, for example, if you're moving house, your lender might let you transfer your lifetime mortgage to your new home without paying one. Or you might be able to set up optional partial repayments in advance to repay up to 10% of the total amount borrowed (including additional borrowing) each year.

Your adviser will talk you through your repayment options when you're setting up your loan.

Can I take out equity release if I have a mortgage?

Yes, you can release equity from your home if you have a residential mortgage. But you'll have to pay off your existing mortgage and any early repayment charges with the money you release.

We recommend checking the terms and conditions of your residential mortgage or talking directly with your lender to see how that could work for you.

Frequently asked questions

Can you take out equity release more than once?

Yes. If you take out a lifetime mortgage, you can replace it with a new one. That's just like any other kind of remortgaging. You can switch to get a lower interest rate, borrow more money, or enjoy better features and benefits. But remember that you might have to pay an Early Repayment Charge.

And if you start by borrowing less than the maximum amount you're eligible for, you might be able to borrow more in the future. For example, you may be eligible to borrow £50,000 but only need £10,000, so you could take the £10,000 now and may be able to borrow more in future, if and when you need it.

Borrowing money only when you're ready to spend it, will keep your lending costs down. But remember that interest rates can change, so you might borrow future sums at different rates.

Can you take out equity release on a leasehold property?

Yes, you can release equity from a leasehold property, although your lender will have to make some checks first. Key factors they'll look at include:

- how long you have left on your lease
- any service charges or ground rent you pay
- any potentially difficult terms and conditions in your lease.

Can you release equity from a shared ownership property?

Yes, you can release equity from a shared ownership property. But the amount you can release must be enough to buy the rest of the property, so you own 100% of it on completion of the loan. Once that's done, you're free to spend any extra money however you'd like.

Does equity release affect inheritance tax?

Equity release can affect inheritance tax.

If you give money to a family member or friend, there may be an inheritance tax liability if you (or the last surviving borrower) die within seven years of making the gift. The amount due depends on how long it is since the gift was made and the size of your estate. You can find out more at: gov.uk/inheritance-tax.

Can I release equity to pay off debt?

Yes, you can release equity to pay off debt – in fact, it's a very common use for it. You can pay off anything from a previous mortgage or a car loan to a credit card or a loved one's debt. Your adviser will help you check your options, and make sure that equity release is the most cost-efficient one. Think carefully before securing other debts against your home. You can learn more in our article 'How to consolidate debt'.

How does equity release affect state benefits?

Releasing equity from your home won't affect your State Pension, but it can affect other state benefits if you're receiving them. That includes Universal Credit, Council Tax reduction, Cold Weather payments, plus any help you're getting from NHS and local council care services.

Your adviser will help you understand which state benefits you might lose as part of your application process.

What should I do next?

We recommend speaking to your financial adviser about any queries you may have. They will make sure you have all the answers and support you to make the right choice for you.