Income Lifetime Mortgage

Case study – bridging the income gap

David, 65, retired and Jenny, 55, currently employed

They would like:

- Jenny to retire early so they can enjoy more quality time together following her health scare
- more money each month to bridge the gap until Jenny's pension begins
- to stay in the home they love.

David and Jenny are currently re-evaluating their lives after Jenny's recent health scare, and are looking into their financial options. David is retired with a moderate final salary pension, and Jenny has decided to retire early due to health problems.

She won't have access to her pension for another 10 years, meaning there's going to be a shortfall in the meantime.

At the moment they have enough to cover bills, but are worried they'll have to cut back on much-loved activities such as golf, which they enjoy playing together. They don't want to put their lives on hold. Their home in Solihull, which they own outright, is worth £480,000. They have considered downsizing, but this would mean moving away from friends and an area they love. They have a car finance agreement with one year left to run.

Suggested action

10 years

David and Jenny can receive a fixed income for 10 years to **bridge the gap** until Jenny can draw her pension, and can **pay off their car loan** with an Income Lifetime Mortgage

Please note this example is not real, it is for illustration purposes only.

Based on their circumstances, David and Jenny's adviser (ABC Financial) suggests they need an extra £1,000 a month over 10 years. After that, Jenny can start receiving her pension.

Overall, based on David and Jenny's ages and property value, they can:

- access **£124,320**
- take an initial loan of **£4,320** to help them pay off their car loan
- receive **£1,000 a month** for 10 years

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Benefits for David and Jenny

- The Income Lifetime Mortgage provides a regular, fixed monthly income paid automatically each month for 10 years.
- The 10-year fixed term allows them to bridge the gap until Jenny can draw her pension.
- David and Jenny won't need to downsize and move away from an area they love, but should their circumstances change and they wish to move, they can take the Income Lifetime Mortgage with them – subject to our terms and conditions.
- An initial loan of £4,320 will pay off their car loan.

Risks

ABC Financial also tell David and Jenny about the risks involved with the product:

- A lifetime mortgage is a loan secured against their home.
- The monthly income they receive is fixed for the length of the income term. This means inflation may erode the value of the monthly income they receive over time.
- David and Jenny won't be able to change the amount of monthly income they receive, or take it for longer than the term agreed. Although they can stop the payments at any time, with no fee, but once stopped, income can't be restarted.
- The interest charged is compound interest, which means interest is charged on the loan plus any interest already added. The effect of compound interest is however reduced as funds are released in monthly amounts, rather than as a single upfront sum.
- At the end of the income term, their income will stop and interest will continue to roll up until the loan is repaid. ABC Financial tells them they'll need to think about how they'll manage when the income stops.
- A lifetime mortgage will reduce any inheritance.
- There may be cheaper ways David and Jenny can borrow money.

To find out more or speak to your dedicated account manager

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Visit
legalandgeneral.com/adviser/incomeLTM

Call charges will vary. Calls may be recorded and monitored. Lines open Monday to Friday, 8.30am to 5.30pm.
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