

Income Lifetime Mortgage

Case study – additional income to help fund the small pleasures in retirement



Jean, 70, widowed

She would like:

- to supplement her income for a fixed term
- to stay in her home
- a simple arrangement that once set up, will not change
- to leave an inheritance when she dies.

Jean can cover her day-to-day essentials, but has no savings or investments, only her pension. She would like a little extra each month, to be able to treat her grandchildren with days out and spoil them more often, to spend more time out with friends and to keep fit. She'd also like to install a downstairs bathroom to make sure her house is suitable as she gets older and less physically able.

Jean still lives in the family home, a large three-bedroom property in Kent worth £500,000 with no outstanding

mortgage. Although her home is larger than she needs, she has a strong emotional attachment to it. It's where she raised her family with her late husband. It's also ideally located close to her daughter, so she doesn't want to move out of the area. She's considered lifetime mortgages before, but feels nervous about managing a lump sum, because her husband always managed the finances. She wants everything going forward to be as simple as possible.

She'd also like to leave some inheritance to her family.

Suggested action



Jean can **stay in the home she loves and top up her income for 15 years, with an Income Lifetime Mortgage**

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

Based on Jean's circumstances, her adviser (ABC Financial) suggests she needs an extra £500 a month over the next 15 years. By then her grandchildren will have grown up and her lifestyle is likely to be less active. ABC Financial also thinks her current level of income will cover her costs once the term has ended.

Overall, based on Jean's age and property value, she can:



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Benefits for Jean

- The Income Lifetime Mortgage provides a fixed monthly income for 15 years, paid automatically each month, so she can treat her grandchildren and go out with her friends more often.
- Jean won't need to downsize or move away from her daughter.
- The monthly income is for a fixed term, and the interest rate is fixed for the life of the loan. Neither will change which gives Jean peace of mind.
- Access to an initial loan means she can pay for her new bathroom.
- If Jean decides she doesn't need the monthly income, she can stop at any time with no fee. Once it's stopped though, it can't be restarted.
- Our No Negative Equity Guarantee means Jean (or her estate) will never owe more than the amount the property is sold for – subject to terms and conditions.
- Jean can choose to protect some of the value of her home for her beneficiaries with inheritance protection. This will of course affect the amount she can borrow.



Risks

ABC Financial also tell Jean about the risks involved with the product:

- A lifetime mortgage is a loan secured against Jean's home.
- The Income Lifetime Mortgage may affect Jean's entitlement to means-tested benefits.
- The monthly income Jean receives is fixed for the length of the income term. This means inflation may erode the value of the monthly income she receives over time.
- At the end of the income term, Jean's income will stop and interest will continue to roll up until the loan is repaid. ABC Financial tells Jean she'll need to think about how she'll manage when the income stops.
- Jean won't be able to change the amount of monthly income she receives, or receive it for longer than the fixed income term.
- 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.
- Although Jean can stop the income at any time, if she chooses to stop it, she won't be able to restart.
- There may be cheaper ways for Jean to borrow money.
- A lifetime mortgage will reduce any inheritance.
- If Jean gives the money away, the recipient may have to pay tax in the future.

To find out more or speak to your dedicated account manager



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