

Income Lifetime Mortgage

Case study – just retired with insufficient income



John, 67, and Barbara, 66, retired

They would like:

- a regular monthly income over a fixed term to top up their pensions
- to make the most of their early years in retirement
- to help their daughter pay for her wedding.

John and Barbara have recently retired after working full time. They have two grown-up children, but no grandchildren (yet). They're looking to continue enjoying the lifestyle they're used to, including trips to the theatre and dinner with friends. Their combined retirement income is enough to cover the day-to-day essentials, but it isn't as much as they thought. Thankfully, their home in Manchester is paid off and currently valued at £250,000.

John, an only child, expects to inherit from his father one day – in the meantime they worry about how they'll manage. Although they don't want to start any inheritance tax planning so early in retirement, they do want to be sensible about how they generate additional income. On top of this, they want to contribute towards their daughter's wedding, but sadly don't have enough saved.

Suggested action



John and Barbara can **contribute to their daughter's wedding and top up their monthly income** over 20 years with an Income Lifetime Mortgage

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

Based on their circumstances, John and Barbara's adviser (ABC Financial) suggests they need an extra £400 a month over 20 years. By then, John expects to have received his inheritance.

Overall, based on John and Barbara's ages and property value, they can:



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Benefits for John and Barbara

- The Income Lifetime Mortgage provides a fixed monthly income for 20 years, paid automatically each month, so they can continue enjoying the lifestyle they're used to.
- Barbara will be reassured knowing that the monthly income is for a fixed term. The interest rate is fixed for the life of the loan. Once fixed at the outset this can't change.
- If John receives his inheritance during the 20 years, they can choose to stop taking the monthly income without incurring a fee. However, once it's stopped, it can't be restarted.
- They can use any inheritance to make optional partial payments toward the loan, if they wish.
- They can move house and take the Income Lifetime Mortgage with them – subject to terms and conditions.
- An initial loan can help their daughter with wedding costs.



Risks

ABC Financial also tell John and Barbara about the risks involved with the product:

- A lifetime mortgage is a loan secured against their home.
- 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.
- The Income Lifetime Mortgage may affect John and Barbara's entitlement to means-tested benefits.
- 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.
- John and Barbara won't be able to change the amount of monthly income they receive, or take it for longer than the fixed income term.
- Although John and Barbara can stop the income at any time, if they choose to stop it, they won't be able to restart it.
- 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.
- If they decide to move to another property, the lifetime mortgage will be subject to the new property meeting our terms and conditions
- A lifetime mortgage will reduce any inheritance.
- There may be cheaper ways for John and Barbara to borrow money.
- If John and Barbara give the money away, the recipient may have to pay inheritance tax in the future.

To find out more or speak to your dedicated account manager



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