



# Why RIO?

Interview with Phil Small, Mortgage Broker at HQ Mortgage and Finance

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## To understand the experience of advising on a Retirement Interest Only Mortgage (RIO), we spoke to Phil Small of HQ Mortgage and Finance. Phil has over 15 years' experience as an adviser and was part of Legal & General's initial pilot for RIO.

### Q Tell me about your first RIO case.

A My first client was a 65-year-old former teacher. His existing mortgage was coming to an end and he just wanted to pay the interest. He actually could have paid the rest of the loan off, but wanted to keep his money so he could enjoy his retirement more. He had income from another property too, so paying around £450 in monthly interest payments was quite comfortable on his teacher's pension. He knew he had the savings and he wanted an interest rate fixed for life, which Legal & General provided.

After that case introduced me to RIO, all of a sudden I had a couple of enquiries - 3 in very quick succession!

### Q What was important to your client about the fixed interest rate for life?

A The client doesn't really know what they're going to get in the future in terms of interest rates. Especially in the current economic climate! So to have a fixed interest rate is a good selling point for the RIO.

Some people are happy to take a termed rate; the same mortgage over five or even ten years. But I would advise a lifetime fixed rate for a lot of customers so that they have the reassurance of knowing how much they will pay each month. And at the very least make them aware it's there.

### Q What are your thoughts on equity release compared to RIO?

A I run every RIO case by our compliance officer who is qualified in equity release. I check if he thinks the case would be better suited to equity release or a RIO – but it depends on the customer's preferences and circumstances.

For example, the former teacher I mentioned earlier; he wanted to keep his savings. He had income from a rental property which he wanted to keep coming in. He had a good pension and could afford £450 a month and didn't see the need to take equity out of his property. For him, equity release or a lifetime mortgage wasn't something he was looking at.

Some people still have negative perceptions of equity release because of its history. Although that is starting to change, people still have concerns about what they leave behind and how much interest rolls up. People are precious about their property. Although rates are cheaper now with lifetime mortgages (or can be), there's still work to do to challenge the perception of equity release.

### Q What would you say to an adviser looking to get involved with RIO?

A There's a lot of people out there on a fixed income which RIO could be right for. Particularly if they're looking to purchase a new build. Before RIO, an older person looking to purchase might not have been able to afford a mortgage. But now there's a mortgage for them.

There's also affluent people that want to buy property but still want to keep some cash back. I'm working with a doctor who's purchasing a home using a RIO for £600,000. He's got sufficient income and he wants a mortgage where he just has to pay interest. It works.

I will say if you're going to get involved with RIO, you have to look into equity release. And if you're looking into equity release, you have to look at RIO. The two products have a similar audience, it just depends on what's best for each individual client's situation.

Our **Retirement Interest Only Mortgage (or RIO)** is an interest-only mortgage with a fixed interest rate for life. If your client's existing interest-only mortgage is coming to an end, they could use the RIO to pay the outstanding balance and stay in the home they love.

Some people even choose to borrow extra cash to buy a new home - or just do more of the things they love in retirement. It's important to note that clients must make monthly interest payments - as a last resort, your client's home may be repossessed if they do not keep up with payments.

Could a RIO be right for your client? Visit our website to find our useful affordability calculator, templates, resources and more: [www.legalandgeneral.com/adviser/rio](http://www.legalandgeneral.com/adviser/rio)

Our **Lifetime Mortgages** all come with standard features that can help your clients, including accessing tax-free cash, no affordability checks, and interest rates fixed for the length of the loan. A lifetime mortgage is a form of equity release secured against your client's home.

Find out more about how a lifetime mortgage can help your clients: [www.legalandgeneral.com/adviser/lrm](http://www.legalandgeneral.com/adviser/lrm)



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A lifetime fixed rate gives customers the reassurance of knowing how much they will pay each month

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## Are you looking to get qualified in equity release?

**We offer a free online course to help you prepare for your ER1 exams. Contact your account manager for details or find out more online:**

[www.legalandgeneral.com/adviser/exams](http://www.legalandgeneral.com/adviser/exams)

**We're committed to helping advisers understand the role that later life lending can play in helping clients achieve their financial objectives and a more colourful retirement. If you have questions, don't hesitate to get in contact with one of our experts, or speak to your dedicated account manager.**

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