Busting the myths of lifetime mortgages

Equity release gives your clients the flexibility and choice to unlock cash from their home in later life. But a lifetime mortgage is a big financial decision – and a lot of myths still remain about how they work.

To understand the hesitations people may have, we asked over a thousand 55 to 75 year olds about some common misconceptions.

We've cleared up some of the misunderstandings you may encounter so you can help your clients make informed financial decisions.

MYTH

"I won't own my own home anymore."

FACT

Having a lifetime mortgage does not mean your client is selling their home to the lender. It's a loan secured against their home that will be repaid when the last remaining borrower dies or moves out of the home and into long term care.

MYTH

"I won't be able to move house."

FACT

Your client can transfer the lifetime mortgage to a new property, providing the property is suitable. To check property suitability for your client, you can call our sales support team on 03330 048 444. Call charges may vary. Calls may be recorded and monitored.

MYTH

"I'll end up paying more than the value of my home – my children will inherit my debt."

FACT

Lifetime mortgages are protected by the Equity Release Council's 'no negative equity' guarantee; your client, or their estate, will never owe more than the value of their home. This means they will never have to pay back more than the amount their property is sold for.

Legal & General

MYTH

"I already have an outstanding mortgage – I can't release equity."

FACT

Even if your client has an outstanding residential mortgage, they can still release equity – providing they use the lifetime mortgage to repay the interest-only mortgage first. This is dependent on the equity available and the terms and conditions of the mortgage.

MYTH

"I'll have to make monthly repayments with a lifetime mortgage."

FACT

Some products do offer the option to pay off interest, but your client isn't obliged to make repayments at all. Your client may prefer to allow the interest to roll up and be repaid when the youngest borrower dies or moves into long term care. There's a wide range of products to suit your client's needs.

MYTH

"Equity release is just a last resort for people desperate for money."

FACT

Clients choose to take out a lifetime mortgage for many reasons. More than a third use the money to refurbish and renovate their home. 17% use the money for a dream holiday and 13% use the money to help buy a new vehicle.

House prices today are on average 12 times higher than they were 40 years ago, and the total equity of homeowners over 65 is estimated to be worth £1.6 trillion.

With this in mind, it's no wonder people are increasingly considering property wealth as a tool to live a more colourful retirement.

Find out how a lifetime mortgage can help your clients:

www.legalandgeneral.com/adviser/mythbusting

A lifetime mortgage is a loan that's secured against your client's home.
There may be cheaper ways to borrow.