

LIFETIME MORTGAGES MYTHBUSTERS

If you think lifetime mortgages are best avoided, it's time to think again.

Perceptions are changing, evidenced by significant market growth and demand in recent years. Despite this, there are still **myths** that need dispelling around lifetime mortgages.

! MYTH 1: THEY'RE A LAST RESORT OPTION.

That's no longer true, if it ever was. The increasing flexibility of lifetime mortgages and rising property prices mean more clients are using their property wealth to fund a variety of later life needs.

According to the Equity Release Council, total lending increased by 29% in 2022 as record amounts of property wealth were accessed by more than 93,000 clients.

Source: Equity Release Council Q4 2022 and FY 2022 market statistics

🏠 MYTH 2: YOU MUST STAY IN THE SAME PROPERTY FOR THE REST OF YOUR LIFE.

With most lifetime mortgages, you can move home and transfer the loan to the new property providing it meets the lender's terms and criteria. A partial repayment may be required.

💷 MYTH 3: YOU'LL LEAVE DEBT TO YOUR FAMILY AND LOVED ONES.

Providing the terms and conditions are met, no debt is left to your estate and you'll never owe more than the value of your home once sold upon death or permanently moving into long-term care.

✂️ MYTH 4: IT'S NOT POSSIBLE TO REDUCE THE OUTSTANDING DEBT.

Starting 28 March 2022, all products that meet the Equity Release Council (ERC) standards have to offer the right to make penalty-free partial repayments. This means you can make partial repayments without early repayment charges on your loan. The amount that can be repaid is usually up to a fixed amount each year. Some products also offer fixed early repayment charges that only apply for a set time period, after this there's no charge.

And some products give you the option to pay monthly interest. Although this will not reduce the amount borrowed, the debt will not increase as much as it would if you let the interest roll up over the life of the mortgage.

📊 MYTH 5: EQUITY CAN'T BE RELEASED IF THERE'S AN OUTSTANDING MORTGAGE.

One of the more common uses of a lifetime mortgage is to pay off an existing mortgage. This can free up income previously used to service the mortgage. Using a lifetime mortgage to repay the mortgage could cost you more in the long-term.

FOR MORE INFORMATION

Call: 01737 233297 Email: support@wearejust.co.uk

Or visit: [justadviser.com](https://www.justadviser.com)

Lines are open Monday to Friday, 8.30am to 5.30pm

Calls may be monitored and recorded, and call charges may apply.

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💷 MYTH 6: YOU WON'T BE ABLE TO LEAVE YOUR PROPERTY AS AN INHERITANCE.

A lifetime mortgage is usually repaid by selling the property after you move into permanent long-term care or pass away.

If the loan has been repaid from the sale of property, any money left over can go to your beneficiaries.

Also, some products let you ringfence a portion of your home's equity to leave as an inheritance for loved ones.

🔒 MYTH 7: IT'S UNSAFE AND UNREGULATED.

Lifetime mortgages are regulated by the FCA. Consumer protection specifically for this market has been in place since 1991 under Safe Home Income Plans (SHIP) and later rebranded as the Equity Release Council (ERC) in 2012. Members must adhere to its standards of conduct and practice.

🏠 MYTH 8: YOU'LL LOSE OWNERSHIP AND CONTROL OF THE PROPERTY.

With lifetime mortgages, you're the owner of your home for as long as you want to live there, similar to a regular mortgage providing you meet the conditions of the lifetime mortgage.

💷 MYTH 9: YOU'LL OWE MORE THAN THE VALUE OF YOUR HOME.

As part of adhering to the ERC Statement of Principles, all members must now feature a 'No Negative Equity Guarantee'. This means you'll never owe more than your home is worth once sold, even if this is less than the amount owed. This applies upon death or permanently moving into long-term care. The guarantee only applies when you meet the product's terms and conditions.

Notes:

- A lifetime mortgage is a loan secured against your home.
- Using a lifetime mortgage to consolidate other debts could cost you more in the long term.
- Taking out a lifetime mortgage will reduce the value of your estate.