



LDN FINANCE

LATER LIFE LENDING

Mortgages for later life can unlock equity in your home, refinance existing mortgages or be used to help purchase a new home.



Foreword from Darren Johncock, Later Life Lending Director at LDN Finance

At LDN Finance we specialise in helping clients source property finance loans. We understand that obtaining mortgage finance later on in life can be a complex and daunting thought, but with years of experience in this market we're here to help.

According to figures released from The Office of National Statistics, life expectancy in the UK is now at 79 years of age for men and 82 for women*. Despite a global pandemic, these figures show that advances in UK health care, and improvements to living and working conditions, are expected to continue having a positive impact on this figure over the coming years. People are living longer and working past retirement age with many of us choosing to grasp this opportunity because we don't need – or want - to slow down.

Later life lending is an area of significant growth that allows many retirees to maximise their available cash, to live out their golden years in comfort. This guide explains the main finance options available through Equity Release and Later Life Lending solutions.

Like all property finance solutions, every situation is unique so to receive the best advice tailored to your individual circumstances, contact our fully qualified equity release advisers for more information.

We hope you find this guide useful and should you have any questions, please don't hesitate to get in touch.

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* 2023 report, reporting period ends 2020.



Later Life Lending

Whether you are looking to pay off an existing mortgage, release some equity from your home to spend on yourself or loved ones, or even to move home, later life lending could help.

Later life mortgages and equity release solutions are designed exclusively for clients aged 50 or over. It is a way of borrowing into retirement by securing a loan against your home whilst continuing to live there.

The three main types of finance available are a later life residential mortgage, a RIO (Retirement Interest Only) mortgage or a lifetime mortgage, which is often referred to as an Equity Release mortgage.

Here's what our clients have been using their new finance for.

Pay off an existing mortgage

Clear your existing mortgage and any other debts in retirement. We frequently assist clients whose standard mortgage term is coming to an end but they wish to remain living in the property.

Fund home and garden improvements

Future-proof your home, for example a new kitchen or lower-maintenance garden, and make modifications to enable you to enjoy your home for longer.

Inheritance tax planning and gifts

Gift money to younger relatives at a time when they need it most. For example, as a deposit for a first home or to fund a wedding.

Pay off remaining debts

Repay outstanding debts to enjoy a carefree retirement.

Boost income

Supplement your income, if your pension and other sources of income are limited, by releasing equity from your property.

Fund holidays and large purchases

Ever dreamt of a once in a lifetime holiday? A later life lending solution can help generate the funds to enjoy an unforgettable experience, which may not have been affordable otherwise.

Later Life Lending options: Equity Release

What is Equity Release?

One of the most common forms of later life lending is called Equity Release. It is an umbrella term for a range of products that allow homeowners to access the cash (equity) tied up in their homes. These mortgages are generally available to people aged over 55 and allow money to be taken out as a lump sum, several smaller amounts, or a combination of both. The loan is

secured against your home and is similar to a standard residential mortgage, except you don't have to make any repayments towards the loan. The lender is paid back once you remortgage, sell your property, move into long-term residential care or upon your passing.

There are two types of equity release mortgages; a lifetime mortgage or a home reversion plan.



Lifetime mortgage

A lifetime mortgage typically allows you to release up to 60% of the value of your home. You can continue living in your home for the rest of your life or until you move into long-term care, but you also have the right to move the loan to a new property as long as your new home satisfies your lender's requirements.

The interest rate on a lifetime mortgage is usually fixed at an agreed rate and the interest is 'rolled up' meaning it is only repaid at the end of the term.

Home reversion

Home reversion is a different type of equity release mortgage. Restricted to clients aged over 60 or, in some cases 65, you sell all or some of your home to a home reversion provider. In return, you will either receive a lump sum or regular payments for the value of the portion you sell. Similar to a lifetime mortgage, you retain the right to live in your home until you pass away or move to long-term care. However, home reversion plans are not commonly available from providers anymore.



Retirement Interest Only mortgage

What is a Retirement Interest Only (RIO) mortgage?

Retirement Interest Only mortgages, also called RIO mortgages, are products designed for older borrowers aged 50+ who might struggle to meet the lending criteria for a standard mortgage, typically due to age.

The loan is taken out against the value of your property, however, as the name suggests you only pay the interest each month and no repayment is made towards the capital itself. The mortgage is paid back once you remortgage, sell your property, move into long-term residential care or upon your passing.

For clients with a secure retirement income, for example a pension, RIO mortgages can be an excellent solution for older borrowers. As you service the interest during the lifetime of the loan there is more capital remaining in the property to pass on through inheritance, which is considered to be a significant benefit when compared to an equity release mortgage.

As lifetime mortgages are only available through mortgage advisers, it's important to speak to an expert who'll be able to explain both options thoroughly in line with your plans moving forward.



How much can you borrow?

The maximum amount you can borrow with equity release is typically up to 60% of the value of your home, however our award-winning experts are also familiar with securing multi-million-pound equity release solutions for High Net Worth clients. Exactly how much you can

borrow will depend upon your age and the value of your property.

When deciding how much you can borrow the lender will primarily consider:

- Your age
- How much your home is worth
- The state of your health

Residential mortgages for older borrowers

What is a later life residential mortgage?

Essentially, a later life mortgage is a normal residential mortgage for an older borrower who may struggle to arrange borrowing with traditional high street banks. However, some lenders are more flexible in relation to the mortgage term and in some cases, lenders may even allow the mortgage term to end past a client’s 100th birthday!

A later life mortgage is similar to a RIO mortgage, because the loan amount you can borrow will be based on your income. They can be arranged on

an interest only or capital repayment basis, and the amount you can borrow will be based on your income, taking into account all sources including any current and future pension income.

When compared to a RIO mortgage, the main difference is that later life mortgages still require a mortgage term, however, a significant benefit of later life mortgages are that the rates tend to be lower as these are classed as standard mortgage products.



The differences to consider

	Equity release mortgage	Retirement Interest Only mortgage	Residential mortgage for older borrowers
How is the maximum borrowing amount calculated?	Equity release borrowing amounts are based on the loan to value (LTV) of the property and your age(s) at application.	The borrowing amount is based on your ability to afford the mortgage interest payments for the life of the loan. You'll need to consider your current and future income and your expenditure. For joint borrowers, affordability will be assessed on the lowest earner, to ensure the surviving borrower is still able to maintain payments in the event of their partners death or admission into long term care.	The borrowing amount is based on your ability to afford the mortgage payments for the duration of the loan. You'll need to consider your current and future income and expenditure. For joint borrowers, affordability will be assessed on the total joint income, so you can potentially borrow more than with a RIO mortgage.
Is there a fixed repayment term?	There is no fixed repayment term as the loan is repaid at the point you acquire another property as a main residence, sell your current property, moving into residential care or death.	There is no fixed repayment term as the loan is repaid at the point you acquire another property as a main residence, sell your current property, moving into residential care or death.	Yes, there is a fixed repayment term. This will depend on the lenders criteria and your personal circumstances.
Are there monthly payments?	By design, interest payments are added to the outstanding loan amount, then the total amount is repaid at the end of the loan.	Yes. You'll pay an agreed monthly interest payment. No capital repayment is required towards the loan throughout the term of the loan.	Yes. You'll pay an agreed interest amount monthly. If the loan is on a capital repayment basis then this will be reflected in your monthly payments which would also include your capital reductions.
Is interest rolled up?	The interest is rolled up as standard to one final amount. However, you can choose to pay the interest monthly if you wish.	No, the interest is paid monthly.	No, the interest is paid monthly.
How is the loan repaid?	You'll repay the loan from the proceeds of the sale of the mortgaged property.	You'll repay the loan from the proceeds of the sale of the mortgaged property or by refinancing onto another product, such as an equity release mortgage.	You can repay the loan by completing a remortgage to another mortgage product, a RIO or an equity release product. Alternatively, you can repay the loan from the proceeds of the sale of the mortgaged property, when moving into long-term residential care or upon your passing.

Why LDN Finance?

Our multi-award-winning approach to arranging property finance centres around our service excellence.

LDN Finance is an award-winning team of property finance professionals who understand the importance of trusting an adviser with your financial information to unlock wealth into your retirement. With a proven track record of best-in-class service and an established reputation throughout London and beyond, we bring together expert mortgage specialists to obtain bespoke funding and insurance solutions for our valued clients, no matter how complex your circumstance may be.

We have a specialist later life lending department, with advisers fully qualified to advise on equity release, retirement interest only and lifetime mortgages, meaning we have a wealth of experience to assist you with your requirements in this area.

An experience focused on you

We act as your partner in property finance, providing a personal service to ensure you are confident and in control throughout every stage of your financial journey.

As well as taking the time to understand your current needs, our dedicated and discreet advisers want to understand you - your future plans, goals and ambitions. This one-to-one, tailored service allows us to work tirelessly on your behalf to both exceed your expectations and secure a solution to best suit your requirements.

LDN Finance are proud members of The Equity Release Council.

The Equity Release Council is the industry body for the UK Equity Release sector. Since its inception in 1991, the Council has enforced safeguarding and customer protection measures to promote high standards of conduct and practice surrounding advice on equity release solutions.

As a member of the Council we will provide you with a complete presentation of your options, fairly explaining the benefits and limitations of an equity release mortgage. We will also ensure you

are aware of your obligations under the terms of the contract.

We are committed to providing impartial, whole-of-market later life lending advice. To learn more about the financial solutions available to you, contact our award-winning advisers.



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Ready to get in touch? Start
your Later Life Lending
enquiry today.

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