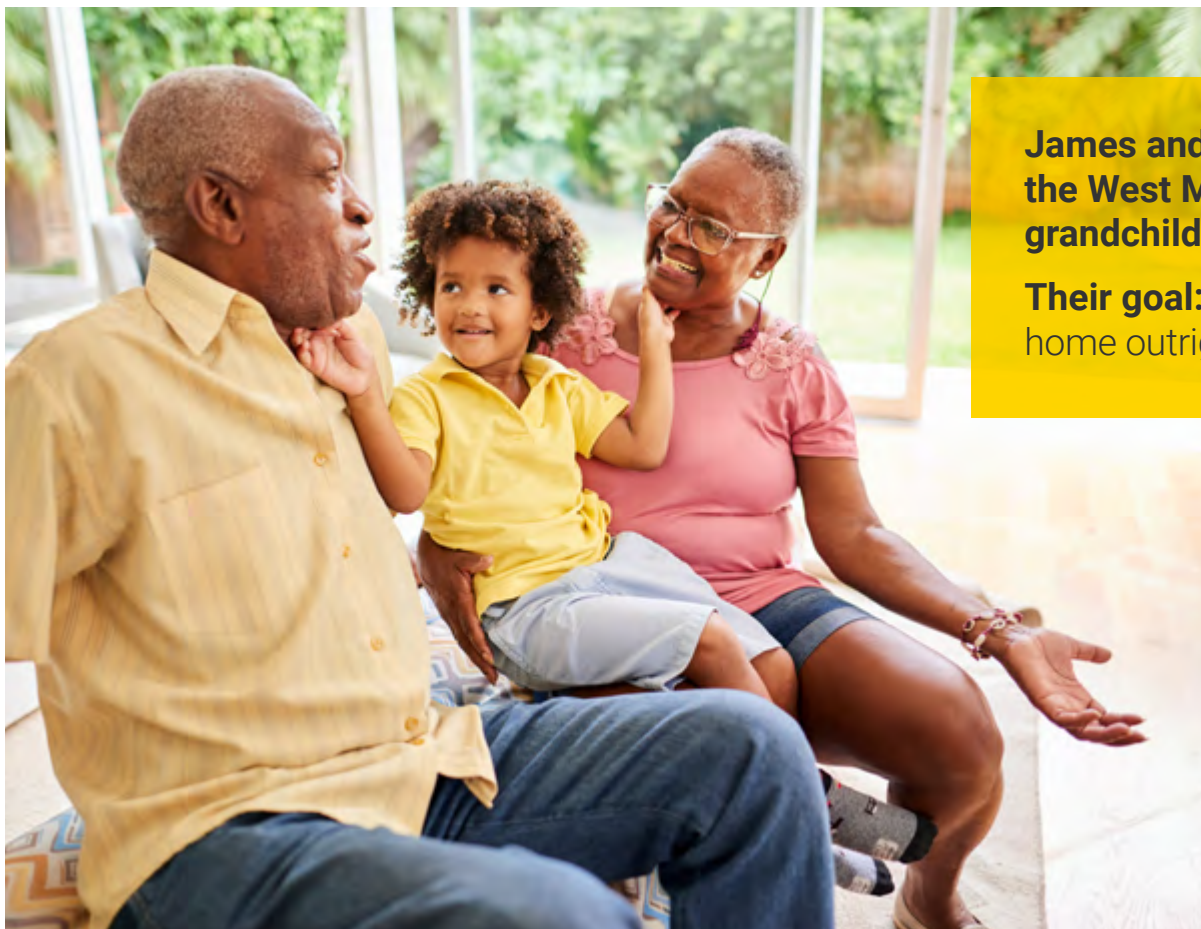


# Payment Term Lifetime Mortgage case study

How our mortgage product can help **lifestyle improvers**



**James and Mallika are 59 and 60 years old and live in the West Midlands. They enjoy spending time with their grandchildren, but they live about an hour's drive away.**

**Their goal:** To live nearer to their grandchildren, own their home outright, and free up funds for home improvements.

## Meet James and Mallika

The long distance means James and Mallika often commit to longer or weekend stays, which is hard to fit around work. Property prices near their children have risen in the last five years, which means they'd get less for their money if they moved.

James and Mallika own their home outright. Their home is worth £300,000. They've found a bungalow near to family that seems perfect, except for the £375,000 asking price. Not only is the bungalow close to their family, but it'll also suit their needs as they grow older.

## James & Mallikas finances at a glance



**Current house value**  
**£300,000**



**Savings**  
**£15,000**



**James' annual income after tax**  
**£35,000**



**Mallika's annual income after tax**  
**£30,000**



**Current living expenses**  
**£1,100 per month**

## What they want

James and Mallika are conscious of their ages and if they decide to move, they want to know exactly what their outgoings will look like. They also want to free up funds to update the bungalow and garden to make it child friendly. The couple carried out research to weigh up their options, and they like the certainty of a lifetime mortgage's long-term fixed rate to help manage their monthly payments.

## How our Payment Term Lifetime Mortgage (PTLM) can help

James and Mallika could have released **£79,500** with an alternative Legal & General lifetime mortgage. This would've covered the purchase of the bungalow, but not the conveyancing, moving fees or the home improvements.

Instead, they decide to go for a PTLM to maximise their borrowing. The LTVs on PTLM are higher than our other lifetime mortgage products as committing to make monthly interest payments, reduces the impact of interest roll up.

Along with agreeing to pay the monthly interest for five years, the combined factors enable them to release an extra **£22,125**.

PTLM is a lifetime mortgage, customers make contractual monthly interest only payments for an agreed fixed payment term. Payments will end no later than retirement age. At the end of this payment term, customers will stop making payments and instead, the interest will be rolled up and added to the amount they owe. It's suited to customers with a good pre-retirement income, who can pass the affordability test.

### By choosing PTLM they can:



#### Live nearer to family

They can spend more time with their children and grandchildren in a home that'll meet their needs for life.



#### Release extra cash

The mortgage gives them more funds than other lifetime mortgages so they can make the improvements they want.



#### Have more certainty

The fixed interest rate for life means they know exactly how much they need to pay over the agreed 5 years.



#### Pass the affordability test

We will assess their affordability for the duration of the payment term. Once the payment term ends, affordability is no longer relevant because they are not required to make further mortgage payments.



#### Have flexibility for the future

After five years, James and Mallika can choose to make optional partial repayments to service the interest.



#### Be free of ongoing mortgage payments

This will probably be the last mortgage James and Malika will ever need. Once the payment term ends, so does the need to make further payments.

## Risks



### As a last resort, your client's home may be repossessed if they don't keep up with their payments

- A lifetime mortgage is a loan secured against your client's home
- There may be cheaper ways to borrow money
- A lifetime mortgage could impact entitlement to means-tested state benefits
- There may be an Early Repayment Charge if they choose to repay some or all of the loan early.
- The No Negative Equity Guarantee will not apply to any missed monthly interest payments and the interest charged on them..
- They may need to repay part of the Payment Term Lifetime Mortgage if they move
- A lifetime mortgage will reduce how much can be left as an inheritance
- At the end of the payment term the interest will be rolled up and added to the loan amount plus any interest already added

**To find out more or speak to your dedicated account manager**

**Call: 03330 048 444**

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

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