

For adviser use only



# Payment Term Lifetime Mortgage case study

Help your clients future proof their home



**Sophia and Richard are 56 and 55 years old. They have grown up children and have lived in their home in Leicestershire for 32 years. It's worth £330,000.**

**Their goal:** To future-proof their house and pay off some debts.

## Meet Sophia and Richard

Sophia and Richard have raised their family and put their children through university. Now they want to focus on improving their home to make sure they're comfortable in later life. They also have a small loan they want to pay off, so they need to borrow **£120,000**.

This case study is not a real customer example and is for illustration purposes only.  
Created March 2024.

## Sophia and Richard's finances at a glance



House value  
**£330,000**



Unsecured debt/  
outstanding mortgage  
**£6,072**



Sophia's annual  
income  
**£20,800**



Richard's  
annual income  
**£60,000**



Sophia's future  
pension income  
**£27,500**



Richard's future  
pension income  
**£30,500**

## What they want

Sophia and Richard want to stay in their home for as long as possible. Now their children have moved out, they're looking to future-proof their home so they can maintain a good quality of life and make space for the possibility of grandchildren. They're both still working (Sophia part time and Richard full time), and are keen to make sure they're financially secure in the future.

## How our Payment Term Lifetime Mortgage can help

Sophia and Richard didn't pass the RIO affordability test because their reduced income in retirement wouldn't be enough if one of them passed away (called the first death stress).

With a RIO, they must make monthly interest payments indefinitely. But with our Payment Term Lifetime Mortgage (PTLM), they can choose a payment term that ends before they retire, then start adding the interest to the amount they owe.

Sophia and Richard's PTLM affordability would be calculated for the duration of the payment term. There's no first death stress, so their combined salary of **£80,800** means they could borrow **£120,000** if they make monthly interest payments for 14 years. They can make voluntary payments after the payment term ends if they want.

## Sophia and Richard's borrowing options compared

	Income considered for PTLM affordability	Income considered for RIO affordability (without first death stress)	Income considered for RIO Affordability (with first death stress)
Property value	£330,000		
Loan needed	£120,000		
Employed income (before tax): Sophia – £20,800 Richard – £60,000	£80,800 combined income considered until retirement	As their retirement income is lower than their current salary, the assessment is completed on retirement income	As their retirement income is lower than their current salary, the assessment is completed on retirement income
Retirement income: Sophia – £27,500 Richard – £30,500	As payments will stop before they retire, we don't need to consider their retirement income	£58,000 combined future retirement income is considered	In the event that Richard died, Sophia's income would be £27,500, so only this income is considered
Commitments	£841 (ongoing credit commitments), £245 Council Tax + ONS deductions		
Maximum borrowing amount based on minimum payment term	£124,080	£166,400	£0
Maximum payment term based on when the customer's plan to retire	18 years	N/A	
Payment term needed for requested loan	14 years	N/A	
Maximum borrowing amount based on maximum payment term	£159,060 (18-year payment term)	£166,400	£0

## 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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