For financial adviser use only. Not approved for use with customers.

Lifetime Mortgage: Customer profiles

All examples are fictitious and for illustrative purposes only.

Our lifetime mortgage is a long-term loan secured on the customer's home. For homeowners over 55 and over. Inheritance will be reduced; tax position and welfare benefits may be affected.

AVIVA

Case study 1: The 'traditional' user

John and Christine

Married in their late teens, retired bus driver John (67) and former shop worker Christine (68) bought their house in Leeds for £16,000 not long into their marriage. Their two children now have families of their own, and live nearby.

John and Christine have always lived a fairly frugal lifestyle, but with the family's needs always being top priority as the children were growing up, saving took a back seat. And with only state pension to rely on, they now only have enough money for a fairly restricted standard of living in retirement.

However, John and Christine have one big thing in their favour: their house. They've been pleasantly surprised to find that it's now worth £260,000. Having ruled out downsizing due to their emotional attachment to their home and network of friends nearby, John and Christine agree with their children that equity release might be a way to free up some extra money to treat themselves to some things they never thought would be within reach.

They want to borrow £35,000 to cover the cost of a caravan and home improvements, as well as setting aside £25,000 in a reserve facility that will help top up their income over the next few years.

They're not planning on repaying the lifetime mortgage before they die, but they'd like to have the option of making voluntary partial repayments in the future, if either they or their children choose to do so if circumstances change.

Typical characteristics

- Mid to late 60s
- Children
- Low savings and pension
- Mindset: John and Christine never expected their house to be worth so much, and now they want to make the most of the extra money in retirement.

Evidence

The average UK house price was £285,000 in December 2023.[1]

Source:

[1]Office for National Statistics, UK House Price Index: December 2023. Contains public sector information licensed under the Open Government Licence v3.0

Case study 2: Debt in retirement

Tom and Rebecca

Tom and Rebecca, both 58, took out an interest-only mortgage on their Birmingham home. At the time Tom worked in car manufacturing, while Rebecca had a career in retail. Tom was made redundant and his new job as a handyman covers the bills and basics, but leaves little extra. Meanwhile, Rebecca also had to stop work due to a long-term medical condition. The couple don't have children.

Their interest-only mortgage now poses them a problem. Tom has cashed in his small personal pension from his former employers, to boost their income and savings, while both of them will receive state pension at 66. But the couple still face a shortfall of ££24,000 in order to pay off their mortgage. Their personal circumstances mean their options are limited and they'd rather not move home.

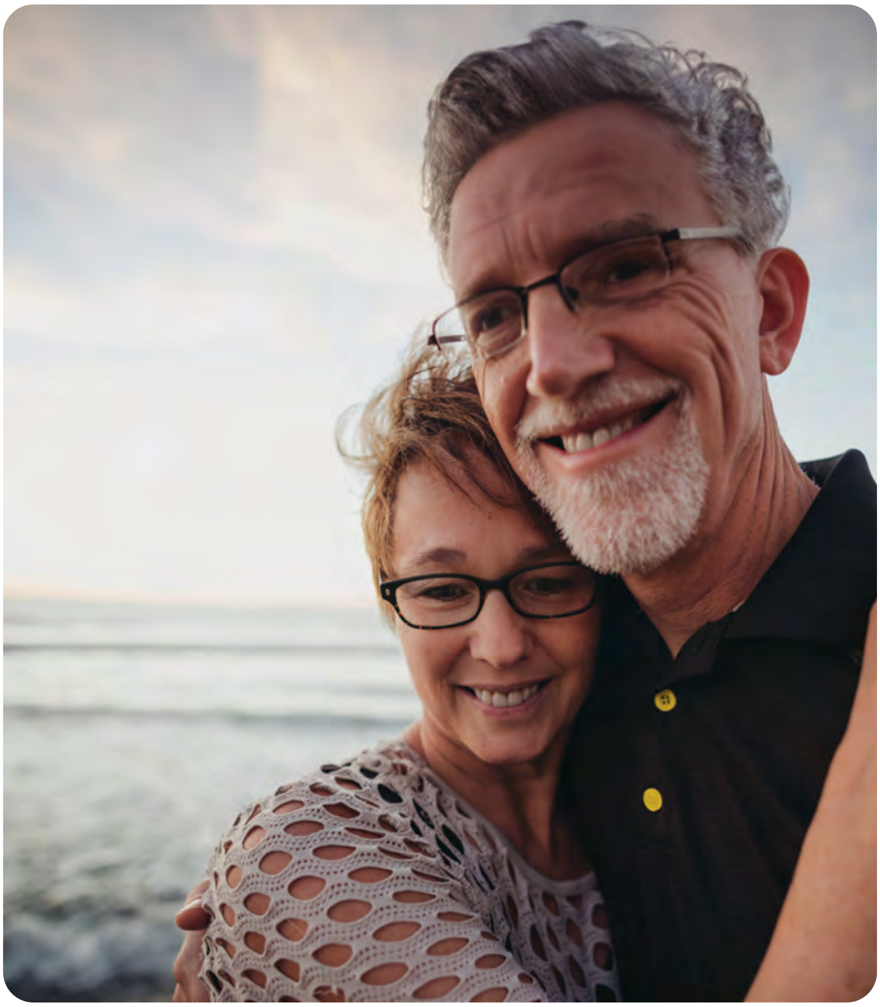
Their property is currently valued at £250,000. With an Aviva Lifetime Mortgage, Tom and Rebecca could borrow up to £41,250.

They borrow £41,250. They use £24,000 of this to repay their existing mortgage in full and spend £12,000 on home improvements and a holiday. They also set aside £5,250 in a reserve facility to cover shortfalls until they take their state pensions.

Tom and Rebecca wouldn't be tied in to monthly repayments and Tom, who is planning on working for as long as possible, would have the option of making voluntary partial repayments on the Aviva Lifetime Mortgage of up to 10% of the total amount they've borrowed each year with no penalty.

Typical characteristics

- 55-60
- Approaching retirement
- Limited savings
- Little or no pension
- Mindset: Taking out an interest-only mortgage seemed like a good idea at the time, but now Tom and Rebecca need to release some money for a secure retirement.



Case study 3: Supplementing income

Gill

69-year-old widow Gill, a retired retail worker, lives in a terraced house in Barrow in Furness, which she's owned outright for several years now. When Gill's spouse was alive, their joint income gave them a relatively comfortable lifestyle. But now money is tight she can't afford to run a car, so has to catch public transport to go shopping, meet friends or visit her son and grandchildren. As a result, Gill is beginning to feel isolated in retirement.

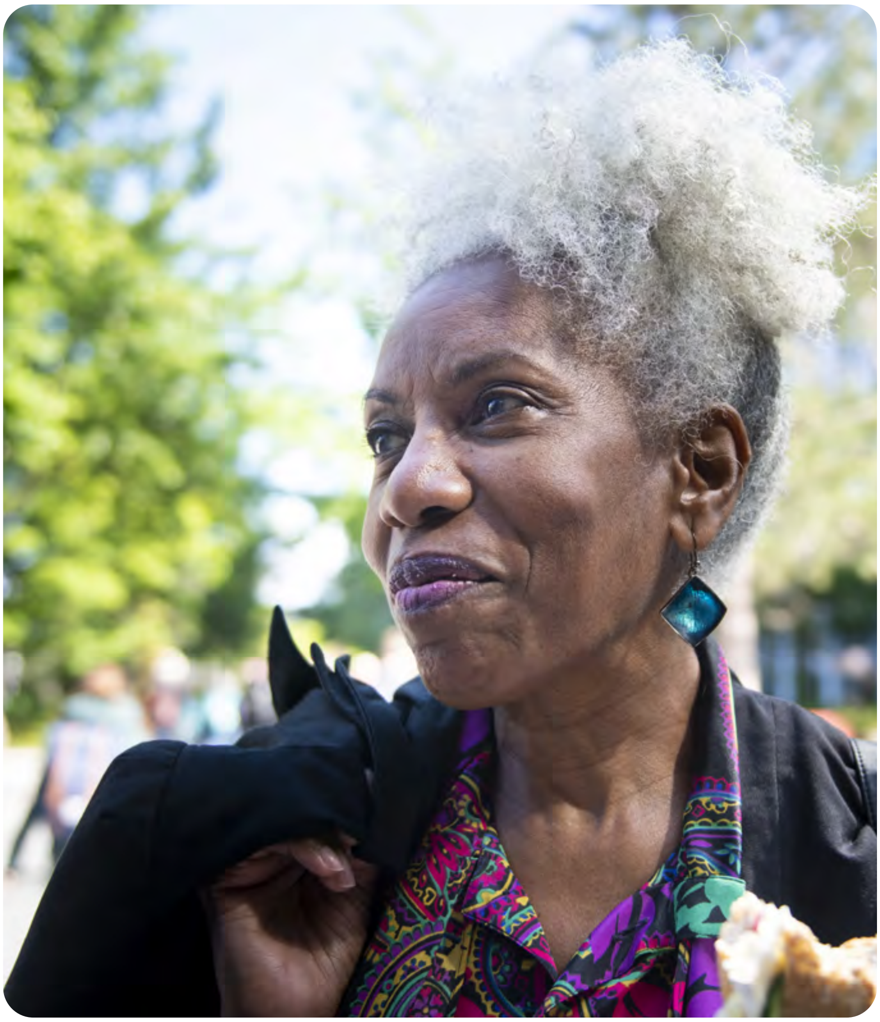
Gill needs to generate some extra money. She knows that her house is her biggest (and only) asset, but she doesn't want to leave the home she shared with her spouse. After a discussion with her son, she realises that her house could potentially be a source of income.

Her house is valued at £150,000. With an Aviva Lifetime Mortgage, Gill is eligible to borrow up to £44,850. Gill's immediate priority is buying a small car, which will enable her to get around more easily. Therefore she decides to take £10,000 lump sum and sets up the maximum reserve facility of £22,425, which she can withdraw from to supplement her income when she needs to. Interest will not accrue to the money in the cash reserve facility until Gill draws from it.

Gill's son has been fully involved in the process and accepts that this option will reduce his inheritance. However, he believes this may be mitigated, to an extent, by the effect of house price inflation. Above all he rates his mum's independence and happiness as a higher priority than financial concerns alone.

Typical characteristics

- Late 60s early 70s
- No private pension
- Low level of savings
- Mindset: With less money now in retirement than when her spouse was alive, Gill misses the greater financial and personal freedom that came with the extra income.



Case study 4: Intergenerational wealth transfer

Chris and Alice

Married business owners Chris (65) and Alice (64) live in St Albans. Their 28 year old son lives at home with them - he's struggling to raise enough for a deposit on a flat in the area on his current salary.

Chris and Alice are keen to help their son become a first-time buyer. They have some modest savings which they want to keep in place as an emergency fund. They have good private pensions and have paid off the mortgage on their house, worth £640,000. For Chris and Alice, unlocking their housing wealth through equity release could be an intuitive way to help their son to get on the property ladder.

They want to give him £50,000 towards the deposit on a flat. This will allow him access to more lenders, products and a lower interest rate. He will use the money he saves on mortgage payments to repay his parents some money each year, which Chris and Alice could use to voluntarily repay part of the lifetime mortgage. They can repay 10% of their total borrowing each year without paying an early repayment charge.

Chris and Alice have also taken out £20,000 to make some improvements to their house. In addition, they've set up a reserve facility of a further £20,000, which they could use in future years to help their son and any grandchildren that may come along.

Typical characteristics

- 55-late 60s
- Children
- Approaching, or in, retirement
- Mindset: Chris and Alice want to help their son get on the property ladder.

Case study 5: Home adaptations

Andrea and James

Married couple Andrea and James are in their mid-70s and have been enjoying a relatively comfortable standard of living until now, thanks to adequate private pensions. Their two children have successful careers and have no need for financial support, so Andrea and James have been doing all the things they couldn't do when the children were young: carrying out home improvements, travelling abroad and upgrading their car.

Over the past couple of years, their health has started to decline: Andrea has mobility issues and James has a heart condition, high blood pressure and diabetes. The main priority for the couple is to stay in their home for as long as possible. There are few bungalows in the local area and a smaller property would mean less space for their possessions and their five grandchildren who often stay over. Staying local is also important to Andrea and James.

Their priorities are to convert the master bathroom to a wet room, install a stair lift and fit ramps to both doors, as well as a long list of minor home adaptations that will make their lives easier. The total cost of the work to the house is expected to be about £35,000, but they would also like to take the whole family on a big holiday before their health makes this impossible. In total, Andrea and James need about £45,000.

Their property in Solihull is currently valued at £300,000, and they decide to take out £25,000 immediately to pay for the initial work. They put the further £20,000 into a reserve facility which they can tap into to pay for the additional work and the holiday.

Typical characteristics

- Mid-70s
- Children
- Private pensions
- Health concerns
- Mindset: Andrea and James want to adapt their home to allow them to stay in it for as long as possible.

Case study 6: Upsizing
(moving to a home of higher value)

Robert and Claire

Architect Robert and his research scientist spouse Claire, both 60, are looking to retire soon. They paid off the mortgage on their Nottingham home some years ago and have a modest amount of savings set aside, plus decent personal pensions.

They have decided to spend their retirement on the coast where they can live a healthy, outdoors lifestyle close to the sea. As a result, they have decided to relocate to a bungalow on the North Devon coast.

However, their current home in Nottingham is likely to sell for less than the cost of the new house in Devon. With their savings unable to bridge the gap, Robert and Claire are considering using equity release to unlock enough value from their new property to cover the shortfall between their current home and new purchase.

The bungalow they'd like to buy is valued at £320,000, while their current property is worth £240,000. They have £40,400 of their own savings to put towards the cost of the new property, with the remainder to be used to cover moving costs and maintain an emergency fund. They have a shortfall of £39,600 towards their property purchase.

After consulting with their two children, Robert and Claire decide to use a lifetime mortgage to make up the shortfall on the purchase of the bungalow. They don't need a reserve facility and want the option to make voluntary partial repayments once they start to receive their private and state pensions over the next few years.

Typical characteristics

- 55-late 60s
- Nearing retirement
- Mindset: Robert and Claire want to move to their dream home by the coast to lead the retirement lifestyle they want.

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