Equity release **compound interest explained**

This is a lifetime mortgage. It's important you consider the benefits, costs and risks before deciding whether a lifetime mortgage is right for you.

What is equity release?

Equity release is a way of taking money from your home without having to move. The type of equity release we offer is a lifetime mortgage. This is a long-term loan, secured on your property. You need to be 55 or over and own a property worth at least £75,000 to take out a lifetime mortgage with us. The amount you can borrow depends on your personal circumstances, such as your age and the value of your property. You will also need to pay product related fees and other fees, such as solicitor fees.

If it's a mortgage, **do I have to make** repayments?

Unlike a regular mortgage, you won't have to make any repayments. Instead, each year we'll add interest to both the loan and any previous interest that's already built up. This will quickly increase what you owe. The loan and interest is usually repaid when you die or need long-term care, subject to our terms and conditions.

If you are considering a lifetime mortgage, it's vital to understand how this works in practice. It may not be right for you if you have savings you could use or wish to sell all or part of the property or downsize. Taking out a lifetime mortgage will reduce the amount of inheritance you are able to leave. It may affect your tax position and may affect your eligibility for means-tested benefits.

How do you calculate **interest** on my loan?

The interest on your loan is compound interest. This means we charge interest on the total amount of the loan, including the interest that has already built up. We calculate the interest every day, but we only add the compound interest to your balance once a year.

Could you give me an example of **how it works?**

Suppose you took out a lump sum lifetime mortgage of **£90,000 at 3.49%** interest. At the end of the first year, the total interest is **£3,141**. This makes your outstanding balance **£93,141**. At the end of the second year, we'll charge **3.49%** interest, but we'll calculate it on the closing balance of the previous year, which was **£93,141**. This makes the interest **£3,251**. We add that to last year's balance, so you now have an outstanding balance of **£96,392**.

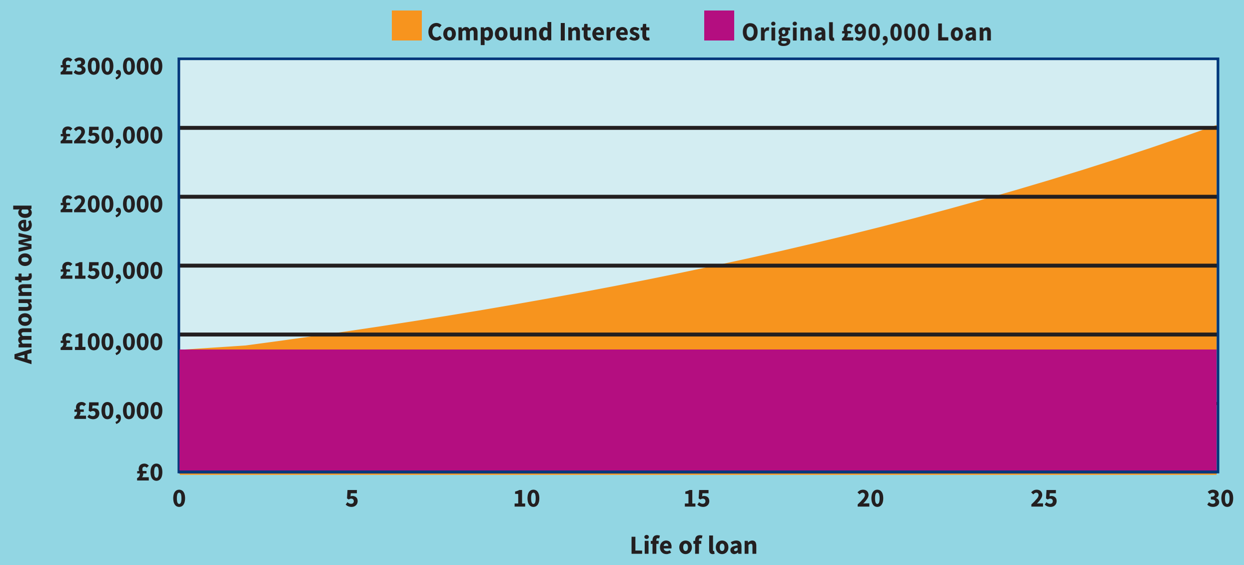
As you can see from the table below, compound interest means that the amount you owe will increase quickly.

Interest rates are based on a number of factors such as your age, health and lifestyle and property value. This is an example and the actual rate will be based on your individual circumstances.

	Interest charged	Total Outstanding Balance
Year 0		**£90,000**
Year 1	**£3,141**	**£93,141**
Year 2	**£3,251**	**£96,392**
Year 3	£3,364	£99,756
Year 4	£3,481	£103,237
Year 5	£3,603	£106,840
Year 6	£3,729	£110,569
Year 7	£3,859	£114,428
Year 8	£3,994	£118,421
Year 9	£4,133	£122,554
Year 10	£4,277	£126,831
Year 11	£4,426	£131,258
Year 12	£4,581	£135,839
Year 13	£4,741	£140,579
Year 14	£4,906	£145,486
Year 15	£5,077	£150,563

	Interest charged	Total Outstanding Balance
Year 16	£5,255	£155,818
Year 17	£5,438	£161,256
Year 18	£5,628	£166,884
Year 19	£5,824	£172,708
Year 20	£6,028	£178,735
Year 21	£6,238	£184,973
Year 22	£6,456	£191,429
Year 23	£6,681	£198,110
Year 24	£6,914	£205,024
Year 25	£7,155	£212,179
Year 26	£7,405	£219,584
Year 27	£7,663	£227,247
Year 28	£7,931	£235,178
Year 29	£8,208	£243,386
Year 30	£8,494	£251,880

Could you give me an example of **how it works?** **Continued**



What is the '**no negative equity guarantee**'?

Our lifetime mortgage loans have a no negative equity guarantee, so you don't have to worry about leaving debts to your loved ones. As long as your property is sold for the best price it can reasonably get, neither you nor your estate will ever have to repay more than the money received from the sale.

Any **questions?**

Your financial adviser will be able to help you with any further questions you might have.

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