Aviva Lifestyle Flexible Advantage

AVIVA

A guide to voluntary partial repayments

with a flexible interest-servicing uplift

The flexible interest-servicing uplift is only available on the Aviva Lifestyle Flexible Advantage lifetime mortgage

About this guide

This guide has been created for customers who have the Lifestyle Flexible Advantage lifetime mortgage. It explains how the flexible interest-servicing uplift works when you make a voluntary partial repayment.

Need this in a different format?

Please get in touch if you'd prefer this brochure **(PF011981)** in large print, braille, audio or in a different colour. You can find details for how to contact us at the end of this guide.

Finding your way around

Key

These boxes explain words with special meanings.

These boxes give you additional helpful information.

These boxes show things we particularly want to draw your attention to.

1. The basics

What is a lifetime mortgage?

A lifetime mortgage is a long-term loan secured against the value of your home. Interest builds up for as long as you have the mortgage and is charged on the total amount borrowed and the interest already added. This quickly increases the amount you owe.

The loan and interest built up is usually paid back using money from selling your home - either when you pass away or go into long-term care.

Your Aviva Lifestyle Flexible Advantage lifetime mortgage gives you the freedom to make voluntary partial repayments—either regularly or as one-offs. These repayments help reduce your overall loan balance.

What is the flexible interest-servicing uplift?

One of the key benefits of your lifetime mortgage is the flexible interest-servicing uplift. When you make repayments that partially or fully cover the interest charged during the current policy year, Aviva adds an extra boost to your repayment. We'll refer to this as either 'uplift' or 'interest-servicing uplift' throughout the guide. This means your repayments can go further in helping manage your loan. No other provider offers this type of bonus - it is unique to the Aviva Lifestyle Flexible Advantage lifetime mortgage.

Policy year
Your policy year starts on the date your lifetime mortgage began and renews on the same date each year.

For example: If your lifetime mortgage started on 31st July, your policy year runs from 31st July to 30th July the following year.

You can find the start date on your completion letter or annual statement.

Flexibility: Repayments that work around you

Making repayments is completely optional—and entirely flexible. You can start, stop, or change your repayments at any time to suit your needs. The loan and interest are usually repaid from the sale of the property when all borrowers have passed away or moved into long-term care, subject to our terms and conditions.

Here's a summary of how it works - and how the uplift boosts your repayments

1. First, any repayment you make is used to cover the interest charged during the current policy year. This is called interest-servicing.
2. Then, Aviva applies the uplift to the interest-servicing portion of your repayment—giving it an extra boost.
3. If you pay more than the interest due in the current policy year, the extra amount goes towards reducing the interest-bearing balance. This part of your repayment doesn't receive the uplift.

Interest-bearing balance
Interest is calculated and added to the total amount you owe daily. The interest is compounded annually on the policy anniversary. This means the new total loan balance at your anniversary date is what you'll be charged interest on for the following year.
This amount is called 'the interest-bearing balance'.

You'll see this term used throughout the guide and on your annual statements.

Within this guide we use an uplift percentage of 10%. The uplift percentage that applies to your repayments may be

The specific uplift percentage which will apply to any repayments that you make - which partially or fully cover the interest in the current policy year - is shown in your Key Facts Illustration (KFI) and Offer documents. It will remain the same for all interest-servicing repayments throughout the life of your mortgage.

How does the flexible interest-servicing uplift work?

Here's three examples of how the interest-servicing uplift is added to repayments.

All three examples use these lifetime mortgage details

- Initial loan amount: £90,000
- Interest rate: 6.3%
- Interest-servicing uplift: 10%
- Interest for the policy year = £90,000 x 6.3% = £5,670

To help keep things simple we've shown how the uplift is applied to a one-off payment. You can also choose to repay monthly by Direct Debit, we've included more about how this works in section 3. Things to think about before making a repayment.

Example 1: Repay a partial amount of the interest in the current policy year - in this example £1,200, the day before your policy anniversary

1. Amount that you pay: **£1,200**	
2. Total amount applied to your balance, including 10% uplift from Aviva **£1,320**	• **Your repayment plus Aviva's 10% uplift:** £1,200 × 1.1 = £1,320

Outcome:

Helps slow down how quickly your loan grows but doesn't fully cover the interest.

Your balance will still increase over time. £4,350 in interest will be applied to your interest-bearing balance at policy anniversary. The new total balance on your policy anniversary will be £94,350.

Example 2: Repay 100% of the interest in the current policy year as a one-off repayment, the day before your policy anniversary

1. Amount that you pay: **£5,154.55**	• **Remove Aviva's 10% uplift from total interest:** £5,670 ÷ 1.1 = £5,154.55
2. Total amount applied to your balance, including 10% uplift from Aviva **£5,670**	• **Your repayment plus Aviva's 10% uplift:** £5,154.55 × 1.1 = £5,670

Outcome:

Prevents interest from being added to your loan balance. No interest will be applied to your interest-bearing balance at policy anniversary.

The new total balance on your policy anniversary will be £90,000.

Example 3: Repay the maximum 10% allowance in the current policy year, the day before your policy anniversary

1. Amount that you pay: **£9,000**	• **Your annual 10% allowance** 0.1 × £90,000 = £9,000
2. Total amount applied to your balance, including 10% uplift from Aviva **£9,515.45**	• **How much of the repayment is eligible for the Aviva 10% uplift** £5,670 ÷ 1.1 = £5,154.55 • **How much is the Aviva 10% uplift** £5,154.55 × 0.1 = £515.45 • **Your repayment plus Aviva's 10% uplift** £9,000 + £515.45 = £9,515.45

Outcome:

This is the most effective option for reducing your loan balance over time. It covers interest and pays down the loan itself.

All £5,670 interest for the current policy year has been repaid. The remaining £3,845.45 is applied to the interest-bearing balance. The new total balance on your policy anniversary will be £86,154.55.

Aviva only applies the uplift to the interest-servicing portion of your repayment

Repayments that exceed the interest that has built up in the current policy year will go toward reducing the interest-bearing balance. However, this portion of the repayment will not receive the interest-servicing uplift from Aviva.

2. How repayments work

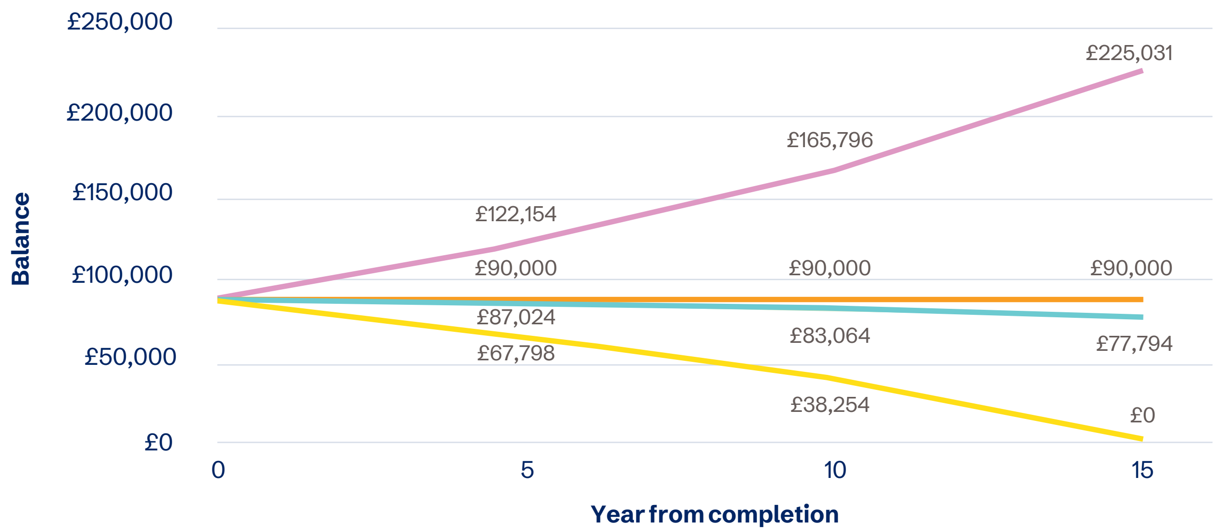
How will making repayments affect the amount I owe?

If you choose to make repayments, you will reduce the total outstanding loan amount.

Here's a graph showing the impact making repayments can make. We've used the following loan details:

- Initial loan amount: £90,000
- Interest rate: 6.3%
- Interest added in the first year: £5,670 which is £472.50 per month
- Interest-servicing uplift 10%

Example: This graph shows how different repayment options affect the amount you owe over time. We show what your outstanding loan amount could look life after 5, 10 and 15 years from completion.



– **The pink line shows a lifetime mortgage where no repayments are made**
As the graph shows, the balance after 15 years would be £225,031 due to the compounding of interest.

– **The orange line shows a lifetime mortgage where the interest is paid at the end of each month**
The balance after 15 years would still be £90,000. This is a £429.55 monthly repayment, which with the uplift of 10%, clears the £472.50 monthly interest.

– **The teal line shows a lifetime mortgage where £472.50 (monthly interest amount) is paid at the end of each month**
Due to the uplift, it costs less than £472.50 to clear the interest and so the interest-bearing balance is reduced each month. The balance after 15 years would be £77,794.

– **The yellow line shows a lifetime mortgage where the full 10% repayment allowance is used each policy year, through monthly payments (£750 paid at the end of each month)**
Most of the repayment receives an uplift since it is servicing interest at 6.3% and the rest of the 10% pays down the interest-bearing balance each month. In this example the loan is fully repaid 1 month prior to the 15th anniversary.

These examples are for illustrative purposes only. Actual amounts may vary slightly due to small calculation differences and the number of days in each month.

How much can I repay?

Each policy year, you can repay up to 10% of the total of:

- Your initial loan
- Any additional borrowing (this means any further borrowing you've taken out under this same lifetime mortgage)
- Any cash reserve releases (these are cash payments you've taken from your available cash reserve, if you chose to set one up when you took out your lifetime mortgage)

This doesn't include any interest that has built up.

You can make as many repayments as you like, as long as:

- Each payment is at least £50
- You don't go over the 10% annual limit

The uplift Aviva adds to interest-servicing repayments doesn't count toward your 10% allowance. Only the actual amount you pay is counted.

If your initial loan was £90,000 and you haven't borrowed more, you can repay up to £9,000 in each policy year.

To repay more than 10% in a policy year, you'll need to clear the full lifetime mortgage in full - including any extra borrowing, cash reserve payments, and interest built up across all loans. An early repayment charge may apply unless the repayment is due to death or long-term care needs.

How will you apply my repayments to my loan(s)?

Your lifetime mortgage may include more than one loan if you've borrowed additional amounts over time. Each new borrowing is treated as a separate loan within your lifetime mortgage.

When you make a repayment, Aviva will apply it in a specific order.

Here's how it works:

1. First, your repayment will go toward the interest built up in the current policy year on your most recent loan
2. Next, any remaining amount will be used to pay off interest built up in the current policy year on earlier loans, starting with the most recent
3. Finally, once all current-year interest is cleared, any leftover repayment will go toward reducing the interest-bearing balance of your most recent loan

This approach ensures you receive the uplift benefit on the interest portion of your repayment. The uplift percentage is shown in your Key Facts Illustration (KFI) and Offer document. It is fixed for the lifetime of the mortgage.

Example 1: you have one loan

- **Interest built up this year: £2,750**

You repay £1,000:

- With a 10% uplift: Aviva adds £100, so £1,100 is applied to interest
- Outcome: £1,100 of interest is cleared

If you repay £3,000 instead:

- £2,500 of your repayment (plus £250 uplift) clears all £2,750 of interest
- The remaining £500 reduces the interest-bearing balance (no uplift on this part)

Example 2: you have more than one loan

- **Initial loan interest this year: £2,750.**
- **Most recent loan interest this year: £2,200**

You repay £1,000:

- With a 10% uplift: Aviva adds £100, so £1,100 is applied to the most recent loan's interest

If you repay £3,000 instead:

- £2,000 of your repayment (plus £200 uplift) clears the £2,200 interest on the most recent loan
- The remaining £1,000 is applied to the initial loan's interest. With uplift, £1,100 is applied to reduce that interest

3. Things to think about before making a repayment

How do I make the most of the flexible-servicing uplift?

Interest on your loan starts building up daily from the day after your loan completes. To take full advantage of the interest-servicing uplift, there needs to be some daily interest accumulating.

Two options for managing this interest could be:

1. **Annual repayment:** You can let the interest build up over the year and then make a single payment to cover it all on the day before your policy anniversary. To do this, simply give us a call and we'll help you make the payment by debit card. This helps prevent the interest from being added to your loan balance.
2. **Monthly repayments:** Prefer to spread the cost? You can set up a monthly Direct Debit. When you call to set up or change a Direct Debit, we'll provide a projection showing how your repayments could reduce what you owe over time—helping you decide what works best for you.

Policy anniversary
This is the anniversary of the date your lifetime mortgage started. You can find the start date on your completion letter or annual statement.

Does it matter when I make repayments?

The timing of your repayments can affect how much interest is cleared and how your loan balance changes. Interest needs to have built up on your loan for you to benefit from the uplift.

The following examples show that making repayments later in your policy year will have a greater impact to your balance over time because it will maximise the uplift applied to your repayment.

These examples use the following lifetime mortgage loan details:

- Initial loan amount: £90,000
- Interest rate: 6.3%
- Interest-servicing uplift: 10%
- Policy year 1 annual interest: £5,670
- Policy start date: 10th June

Examples 1 and 2 compare the outcome of making a one-off repayment at the end of your policy year (but before your policy anniversary), as opposed to making a repayment of the same amount after policy anniversary.

One-off annual repayment:

Example 1: Repay 100% of the interest from policy year 1 as a one-off repayment, the day before your first policy anniversary	**Example 2:** Repay 100% of the interest from policy year 1 as a one-off repayment, at the start of policy year 2
1. Total amount you pay **£5,154.55**	**1. Total amount you pay** **£5,154.55**
2. Total amount applied to your balance **£5,670** 10% uplift is applied because interest from the current policy year is available to service	**2. Total amount applied to your balance** **£5,154.55** No uplift is applied because the repayment is not servicing current-year interest
3. Loan balance after repayment **£90,000**	**3. Loan balance after repayment** **£90,515**
Outcome: Prevents interest from being added to your loan balance. No interest will be applied to your interest-bearing balance at policy anniversary. The new total balance on your policy anniversary will be £90,000.	**Outcome:** No repayment was made before the first policy anniversary, so interest from year 1 has already been added to the interest-bearing balance. In this example, the interest-bearing balance increased from £90,000 in year 1 to £90,515 in year 2.

Example 3 on the next page shows an example using the same loan details, repaying 100% of the interest monthly by Direct Debit.

Monthly repayment:

Example 3 below shows what happens if you spread the full year's interest across monthly repayments. The total amount you repay is slightly higher compared to making a one-off repayment the day before your policy anniversary.

Example 3: Repay 100% of the interest in policy year 1, monthly by Direct Debit on the first day of each month

1. **Total amount you pay**

   £5,158.20

   (£429.85 per month)
2. **Total amount applied to your balance, including 10% uplift**

   £5,664.65

   (£463.74 for the first repayment followed by 10 repayments of £472.83, and a final repayment of £472.61)
3. **Loan balance at the end of your first policy year:**

   £90,000

Outcome:

Repaying a total of £5,158.20 clears all the interest built up in year 1.

To take account of interest calculations and the way Direct Debits work, slightly increasing the total you pay compared to examples 1 and 2 ensures no interest is added to your balance at your first policy anniversary.

In this example, if you'd paid £5,154.55 spread over 12 months, the interest-bearing balance would have slightly increased from £90,000 in year 1 to £90,003 in year 2.

Why does repaying 100% of the interest monthly by Direct Debit cost more than making a one-off repayment at the end of the policy year?

The small difference when paying monthly is because of interest calculations and the way Direct Debits work.

- If there isn't enough serviceable interest when a repayment is applied to the loan, it won't receive the full 10% uplift.
- Daily interest accrues between your final monthly repayment and your policy anniversary.
- Weekends and bank holidays can affect when repayments are applied to the loan:
  - If your preferred collection date falls on a weekend or bank holiday, we'll collect the money on the next working day. In example 3, the repayment won't always be collected on 1st of each month, but on the first working day of each month.
  - We'll apply payments to your lifetime mortgage once cleared, which can take up to 3 working days after the money leaves your account.

When you call to set up or change a Direct Debit, we'll provide a projection showing how your repayments could reduce what you owe over time—helping you decide what works best for you.

Is it always a good idea to make repayments if I can afford it?

Making voluntary repayments can be a great way to reduce the amount owed over time, but it’s important to think about your individual situation. You should weigh up the pros and cons, including whether the money could be better used elsewhere.

There are many factors which could influence your decision, and it’s often a good idea to seek financial advice to help you understand what’s right for you.

Negative equity

One thing to consider is the risk of negative equity. This is where the balance of a lifetime mortgage is higher than the sale price of the property when the loan becomes repayable.
The negative equity guarantee means you or your estate won’t repay more than the property’s sale price—if sold for the best price reasonably obtainable. You must have kept to the terms and conditions. However, if your outstanding loan balance exceeds the sale value, there may be no money left for your estate, even with voluntary repayments. The risk of this happening depends on several factors, including:

- How long until the lifetime mortgage is repaid in full. A lifetime mortgage is designed as a long-term loan which is usually repaid from the sale of your property when you pass away or move into long-term care. The longer you stay in your home before these events occur, the more time the loan will have to build up interest. This can increase the amount owed when your property is sold
- Future property value. Remember, house prices can go down as well as up.

How much was borrowed and the interest. The risk of negative equity increases for lifetime mortgages with a higher loan to value ratio (the amount borrowed compared to the property value).

Making voluntary repayments does not guarantee that there will be money left to your estate from the sale of your property. The risk of negative equity should be considered against the potential benefit of making voluntary repayments. If in doubt, speak to your adviser.

4. How to make a repayment

How do I make a repayment?

If you'd like to make a repayment, here's how.

Give us a call on 0800 158 4177

- Make a one-off payment by BACS, CHAPS, Faster Payments, or debit card. We can't accept credit cards
- Set up regular monthly repayments by Direct Debit

Lines are open 9am-5pm, Monday to Friday (closed bank holidays).

Prefer not to do it over the phone?

No problem — we can send you a paper form to fill in and return.

You can request a form by emailing us at ercicdirect@aviva.com or writing to us at Aviva Equity Release, Po Box 520, Surrey Street, Norwich, NR1 3WG.

Need help? Your adviser can help you complete the form and send it to us.

Anti-Money Laundering legislation requires us to complete customer due diligence. This might mean that we'll ask you additional information about the source of funds when you contact us to make a one-off repayment or to start making regular repayments. These enquiries are standard practice across the financial services sector.

It's easy to keep track of your repayments

After each repayment, we'll send you a confirmation letter and a statement showing how much your loan has reduced.

You'll also receive an annual statement after each policy year showing:

- Your total outstanding loan amount
- The date and amount of each repayment you've made
- The total amount applied to your loan including any interest-servicing reward uplift from Aviva.

You can also log in online to the MyAviva portal at any time to view your lifetime mortgage loan details:

- Current outstanding loan amount
- Voluntary partial repayments
- Early repayment charge information
- Your latest annual statement

To register, visit: **direct.aviva.co.uk**

Setting up a Direct Debit for regular monthly repayments

You choose how it works - when setting up your Direct Debit, you can decide:

- How much you want to repay
- Which day of the month works best for you (between the 1st and 28th)

Your Direct Debit collection date must not fall within the 7 days before your policy anniversary date (the date your lifetime mortgage started). For example, if your policy anniversary is 1st July, your payment date must be between 1st and 21st.

If your lifetime mortgage has just started, wait until you have received your loan amount before calling to set up a Direct Debit.

When you call to set up or change your Direct Debit, we'll provide a projection showing how your repayments could reduce what you owe over time—helping you decide what works best for you.

Can I change the amount I repay?

Yes! Just call us on **0800 158 4177** and we'll update your Direct Debit amount for you.

Can I stop making repayments?

Yes! All repayments are voluntary — you're not required to make them.

However, if your adviser has recommended making repayments, it's important to think about the potential impact of stopping them before cancelling your Direct Debit. The risks of both making and stopping repayments are explained in Section 7 of your KFI (Illustration) and Offer documents.

You can cancel your Direct Debit at any time either directly with your bank or building society, or by calling us on **0800 158 4177.**

Contact Us

To talk to us about any of the information in this guide, give us a call on **0800 158 4177**.

Lines are open 9am-5pm, Monday to Friday (closed bank holidays). We may record calls for training and monitoring purposes.

How to contact us

0800 158 4177

contactus@aviva.com

aviva.co.uk

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