



# Sovereign

Independent Financial Advisers  
Established 1981

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## ESCAPING THE MORTGAGE TRAPS

**There has been a considerable increase in the number of options for mortgages for those aged 55 and older.** This represents a swing of the pendulum. Up to now lenders had been making it more difficult for older borrowers by restricting the maximum age they would lend to and tightening their calculations on how much they would lend. However this situation has been changing slowly, and these new options now give a number of ways for those in a mortgage trap to escape.

Changes have occurred in all three types of mortgages – standard residential mortgage and remortgages, buy-to-let mortgages and lifetime mortgages.

## THE STANDARD RESIDENTIAL MORTGAGE

**A number of lenders will now lend beyond the age of 70, some up to a maximum age of 89.** A small number of lenders have also brought out a Retirement Interest Only Mortgage (RIO) which is an interest only mortgage with no fixed term. However, those lending beyond the age of 70 will normally only taken into account guaranteed income from pensions, investments or rental properties. The longer mortgage terms made possible by these older ages make a repayment mortgage much more affordable. And to make it even more affordable, some

lenders will allow interest-only payments either for all or a part of the mortgage. And some will allow down-sizing to be the means of repaying the mortgage. If you have guaranteed pension income or investment income or rental property income, there should be some options available for you. Contact us and we can find out what could be achieved. Generally this type of solution, i.e. standard residential mortgage, will have the best rates, and mortgage rates are still very competitive as the lenders seek to attract as large a share of the market as possible.

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Assisting our clients to successfully achieve their objectives and enjoy financial security

Sovereign Finance is authorised and regulated by the Financial Conduct Authority. Number 125460  
Finance Brokers Licensed under the Consumer Credit Act 1974 License Number 204599  
Proprietors TB Shuster BA, FHD Dip PFS and MJ Shuster BA (Hons) Cantab



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**EXAMPLE:** A long-standing client of ours had remarried and wanted to build a home of his (and her) dreams. He had a successful business but was in his 60s and the mortgage term offered made the borrowing unaffordable. We found a small Building Society who would do a longer term and also let him do half of it on an interest-only basis as he had a personal pension which he could access if needed.

## BUY-TO-LET MORTGAGES

**Generally Buy-To-Let (BTL) mortgages have already allowed lending well into retirement as the income to support the mortgage usually comes from the rental income only.** This age tolerance has become even more flexible with some

lenders having no maximum age on when the mortgage has to be repaid. Do remember though that many BTL lenders have minimum initial income requirements. Contact us and we can make enquiries for you. Do remember that most lenders also provide options to switch your mortgage product to a lower rate.

## LIFETIME MORTGAGES

For those over 55, Lifetime Mortgages offer what is probably the greatest level of flexibility, including:

- Option to make no payments at all
- Option to make payments of interest regularly, or when you choose to do so
- Almost any past adverse credit can be considered
- There is no fixed term for the mortgage. It can last for life (or until the owner goes into care).
- There is a guarantee of no Negative Equity. So even if you choose to make no payments, the amount that has to be repaid at the end can never exceed the sale price of the property on the open market, regardless of how many years you have had the mortgage.
- You can take the maximum amount from the mortgage at the start, or take some to start with and have a reserve facility for drawing more when needed.
- You can use a Lifetime Mortgage to remortgage an existing property or to buy a new one.
- No income requirements or affordability calculations at all – the borrowing is based solely on the property value and the age of the

borrower (note: where there are two borrowers on the mortgage, the lenders will use the age of the younger).



Here are examples of what the maximum borrowing could be currently (assuming a property value of £300,000):

Age 55	25% of value	£76,000
Age 60	32% of value	£97,000
Age 65	37% of value	£112,000
Age 70	42% of value	£127,000
Age 75	48% of value	£144,000
Age 80	52% of value	£156,000

(Note: there cannot be another mortgage on the property along with a Lifetime Mortgage so any existing mortgage must be paid off.)

Note: There are also options to have a Lifetime Mortgage on a rental property and on properties of unusual construction. However, the percentage of borrowing for a Lifetime Mortgage on a rental property is much less than that shown above.

## SOME LIFETIME MORTGAGE EXAMPLES



**One couple faced repossession of their property as they had had an interest-only mortgage and their plan for repaying it had not worked out.** They also had other debts secured on the property. They did not have adequate income to afford a standard residential remortgage and the wife was quite a bit younger than the husband which meant that they could not get a big enough lifetime mortgage to pay off all the debts with charges on the property. We were able to source a Lifetime Mortgage provider who would work on the age of the husband only and all was sorted out just in time.

Another man was single and owned his property outright. His income was pretty much enough

to pay the expenses as they came due, but he had no children or close family and wanted to have access to funds to be able to enjoy life a bit more. It was possible to arrange a facility with a small initial borrowing and a considerable reserve which he could call on when needed.

A recent survey was done to find out for what reasons people take out Lifetime Mortgages. The major reasons were as follows: 63% used it to pay for home improvements or renovations; 57% did it to meet a shortfall in income; and 55% did it to help their family in one way or another.

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## FIND OUT NOW HOW MUCH YOU COULD BORROW!

In case you would like to find out immediately how much you could borrow using a Lifetime Mortgage, just email us on [info@sovereignfinance.org](mailto:info@sovereignfinance.org) and let us have the following data:

1. Your date of birth (both dates of birth if two are involved)
2. The estimated value of the property
3. Anything unusual about the property

We will reply by email within two hours. There is no charge for this service. (Note: We have over 30 years of experience and know-how in dealing with all types of mortgages.)



## PENSION FREEDOMS

**If you are aged 55 or over, you are likely to have unlimited access to your personal pension benefits immediately.** Pension terminology and rules can be confusing. If you would like to find out the options open to you, contact us. We do have considerable experience and expertise in dealing with these matters and helping you get a clear understanding of what you can do with your pension.

## CHEAP LIFE ASSURANCE

The most inexpensive type of life assurance is called term assurance. It is life assurance for an agreed amount of cover over an agreed term of years at a fixed price. For example life assurance of £100,000 over 25 years for a 30 year old would only cost about £6.00 per month and for a 40 year old only about £9.00 per month.



If you would like an estimate of the cost of life assurance for you, just call or email us. Let us know your date of birth, whether you are a smoker or non-smoker and how much life assurance you would like to have, and we can reply with an illustration from the open market within an hour or two. We do not charge for this service and, if you want us to arrange the life assurance for you, there is usually no charge by us to you as the life companies pay commission.

## DON'T FORGET THE "RENT-A-ROOM" SCHEME

Do remember that, if income is tight, you can make tax-free income by letting out a room or rooms in the property you live in. Up to £7,500 can be earned this way with no tax liability.

## HELPING OUR CLIENTS ACHIEVE THEIR OBJECTIVES AND ENJOY FINANCIAL SECURITY

**Why use us?** We have over 35 years of experience with mortgages, pensions, life assurance and other financial matters, which has given us a great deal of expertise and know-how.



"I must place on record my sincere appreciation of the kindness and the thoroughness of your preparation of the proposed mortgage." *Mr RJ of Burgess Hill*

"Once again thank you for all of your assistance with the mortgage, we can't thank you enough. Looking forward to another one sometime soon!" *Mr JWF of London*

"Exceeded expectations. Everything ran very smoothly." *Mr & Mrs AR of Crowborough*

"We have dealt with Tom for more than 30 years, in which time he has guided us to both the purchase and selling of two sets of properties. He has a very friendly and gracious, yet totally professional manner which instills complete confidence in his clients. We would highly recommend his services." *Mr & AM of East Sussex*

Best wishes,

**Tom Shuster**

Managing Partner

August 2018

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