



# Legal & General Home Finance

Sheffield Life and Pension Society

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# Learning Objectives

- Consider the factors that are affecting the changing landscape of retirement.
- Understand the factors influence the market potential for retirement lending.
- Understand the target market for retirement borrowers and how different product solutions can deliver positive customer outcomes.

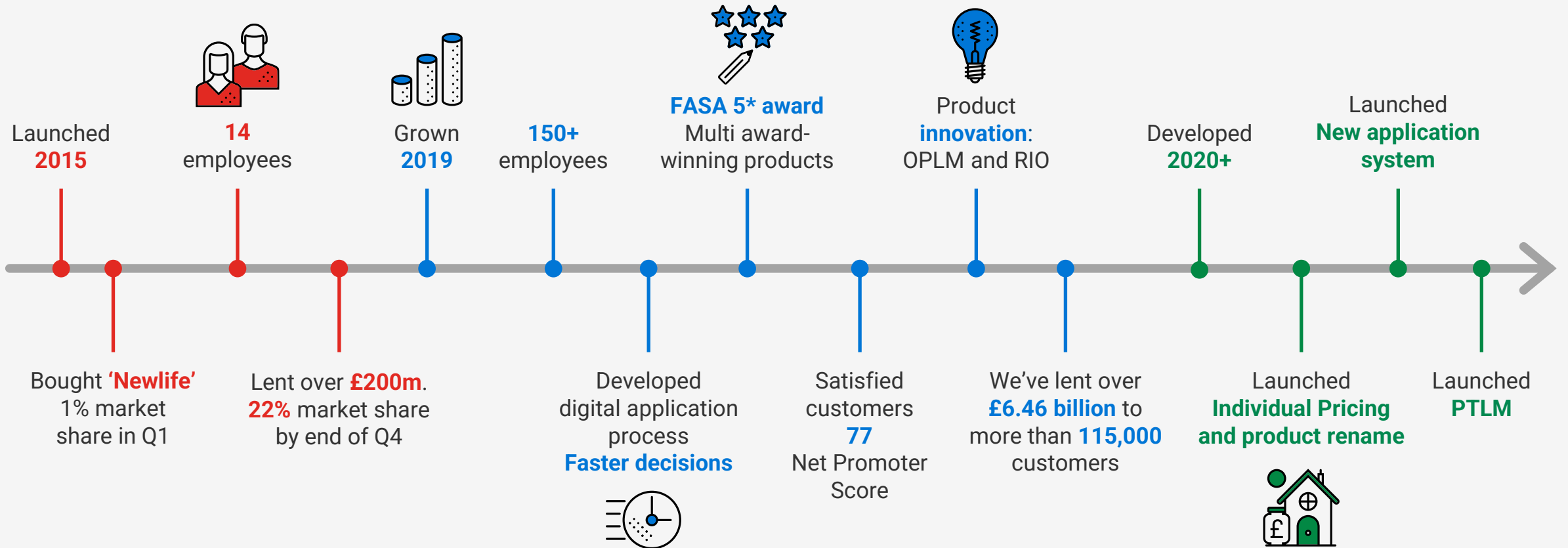


# LGHF Introduction

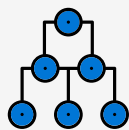
# We're one of the UK's largest lifetime mortgage lenders



Our team has been on an incredible journey since launching in 2015



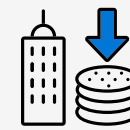
# The changing culture of retirement



Many jobs and careers



DC pots



Buy2Let



LTM

1980s

Children at home

Parents

Ex's

2024

'A job for life'

1 DB Pension

State pension

Bank of Family

Managed chronic conditions

Climate Change and the environment

Digital connections

Debt

Leisure

Personal transport

Nutrition and diet

# Later life mortgage products

Thanks to you and our range of lifetime mortgages, more clients can embrace the future with confidence.



## Interest Roll Up Lifetime Mortgage

Allows customers to release some of the money tied up in their home to provide a lump sum, or smaller amounts as and when they need them. There is no need to make monthly payments.



## Payment Term Lifetime Mortgage

Allows customers aged 50+ to make contractual monthly interest payments for an agreed payment term, ending no later than their planned retirement date or age 75, whichever is sooner.

At the end of this payment term customers stop making contractual monthly interest only payments and instead, the interest will be rolled up and added to the amount they owe.

**As a last resort, their home may be repossessed if they do not keep up repayments.**



## Optional Payment Lifetime Mortgage

Allows customers to release money tied up in their property and choose to pay some, or all of the monthly interest by Direct Debit, which can reduce the overall cost of the loan.



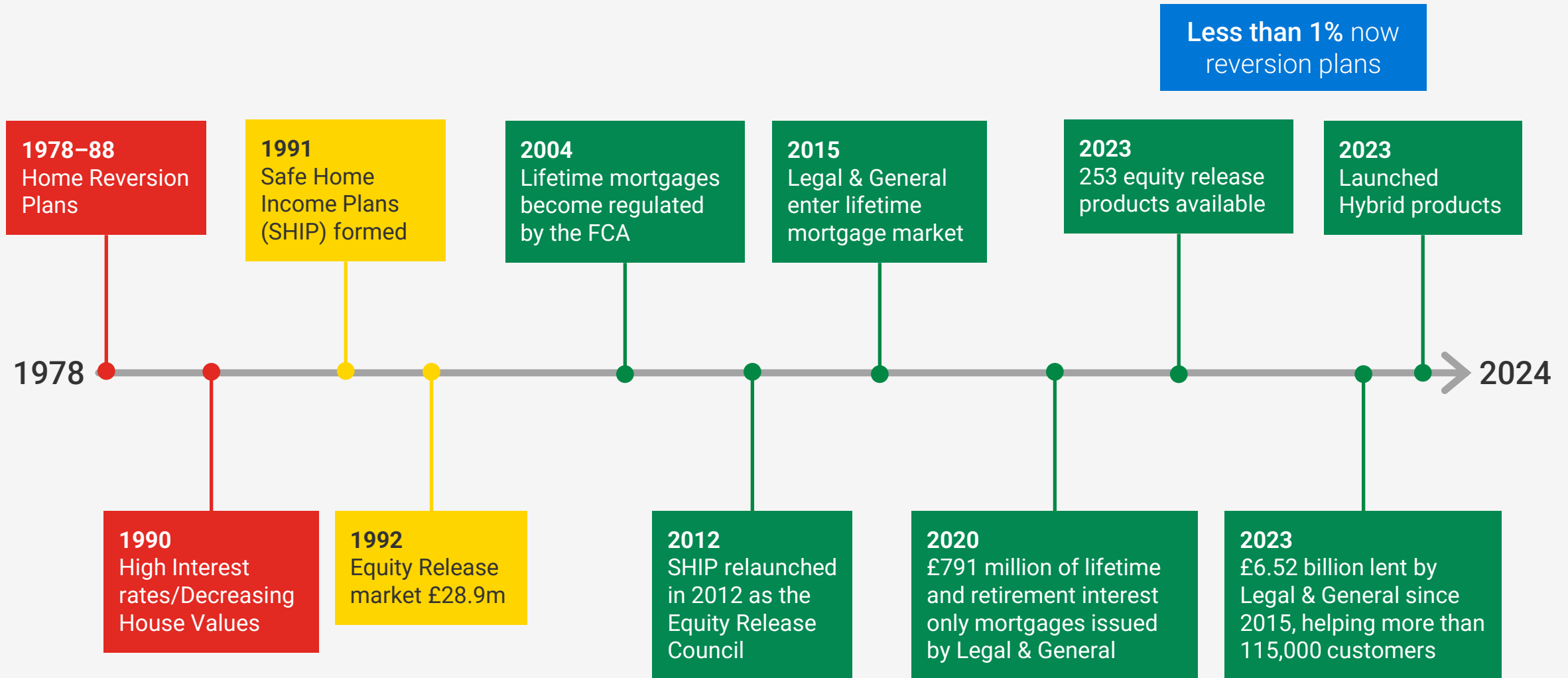
## Retirement Interest Only Mortgage

Allows customers to release money tied up in their property to provide a lump sum. They have to pay the interest off monthly by Direct Debit.

**As a last resort, their home may be repossessed if they do not keep up repayments.**

# The lifetime mortgage market

# The equity release journey



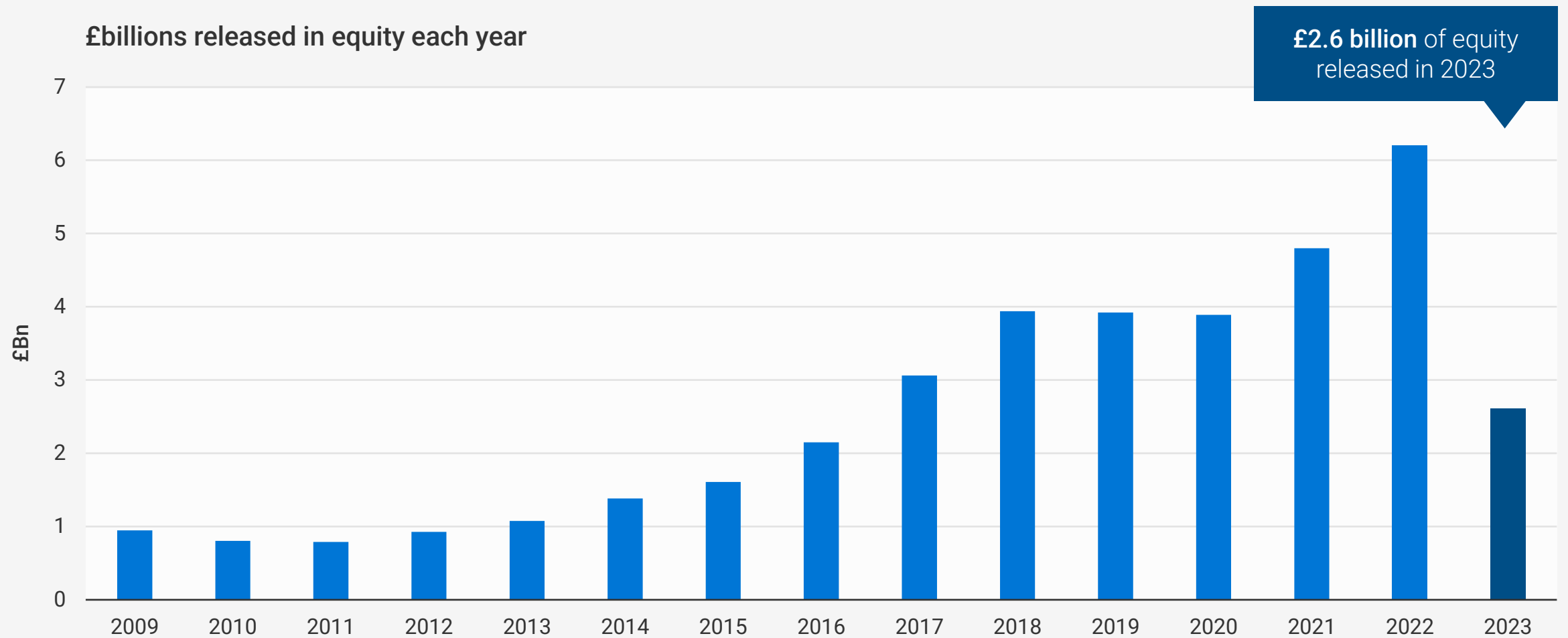


# Equity release myths versus product requirements

Equity release myths	Equity Release Council product standards
It's too expensive	Interest rates must be fixed or capped for the life of the loan
I could be forced out of my home	Right to reside in the property for life**
I won't be able to move home	The right to move to a new acceptable property
I won't be able to leave my family anything	Right to make penalty free payments, subject to lending criteria*
I'll end up with negative equity	No negative equity guarantee: never repay more than property value

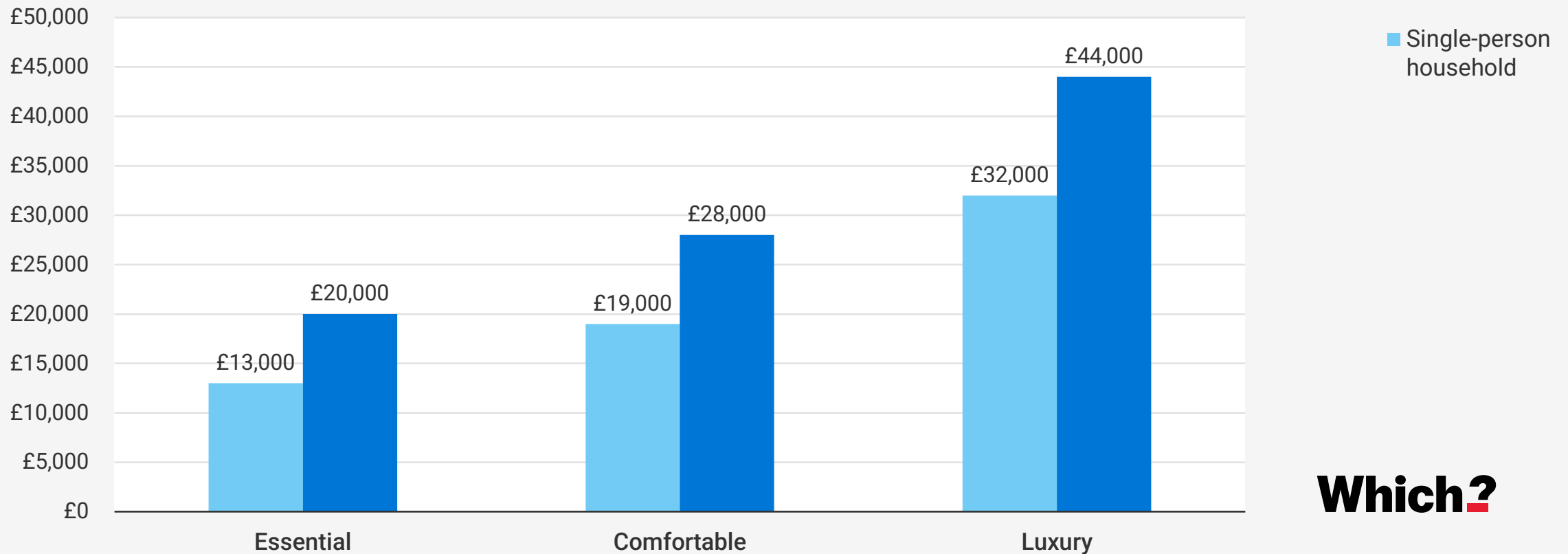


# The UK equity release market



# How much should you save for the retirement lifestyle you desire?

Retirement income annual targets



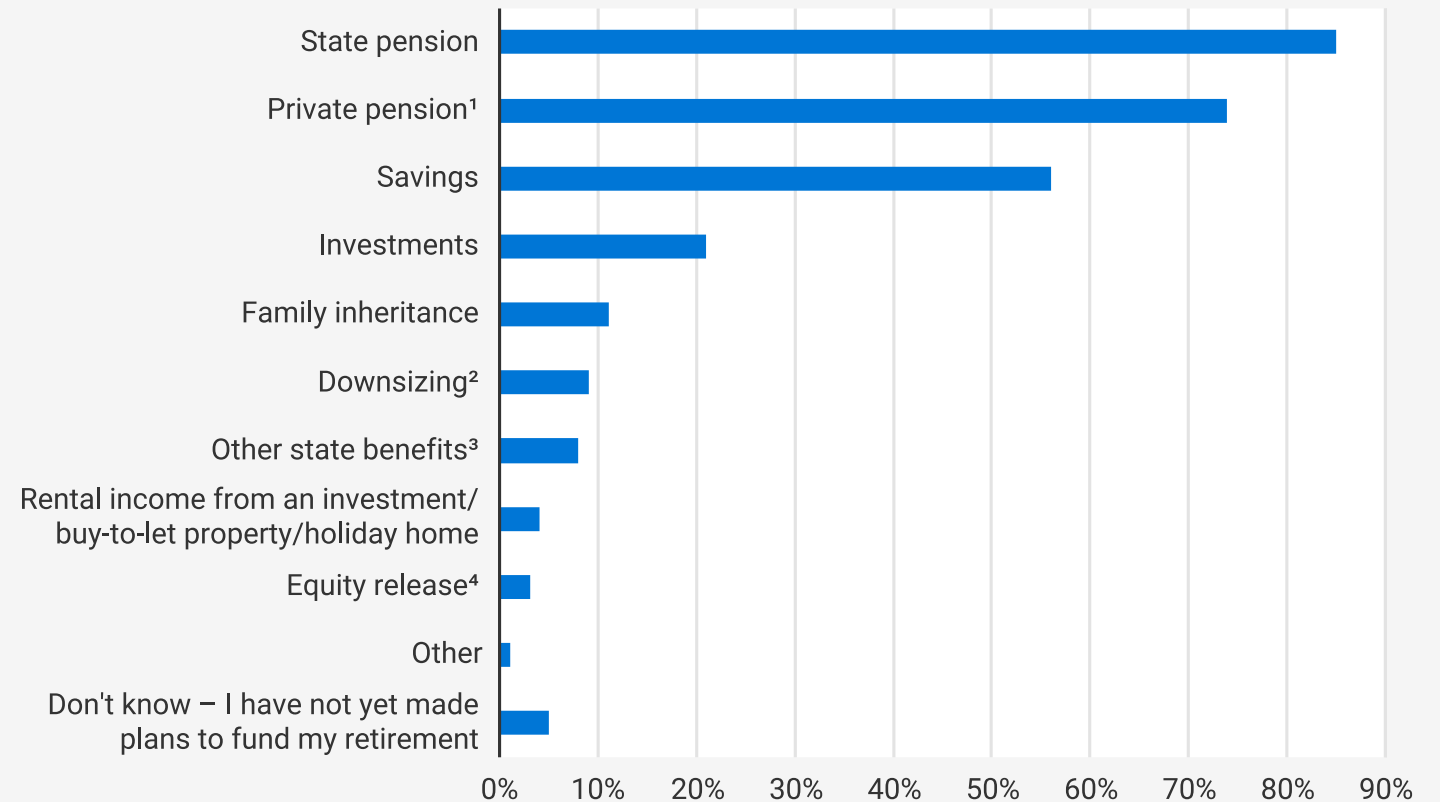
**Which?**

# How do we fund comfortable retirements?

## Expectations may not meet reality

- Many people find their plan won't deliver their desired retirement
- Property is often the largest source of personal wealth
- Too often property is overlooked in retirement planning

## Which of the following are you using/do you expect to use to fund your retirement?

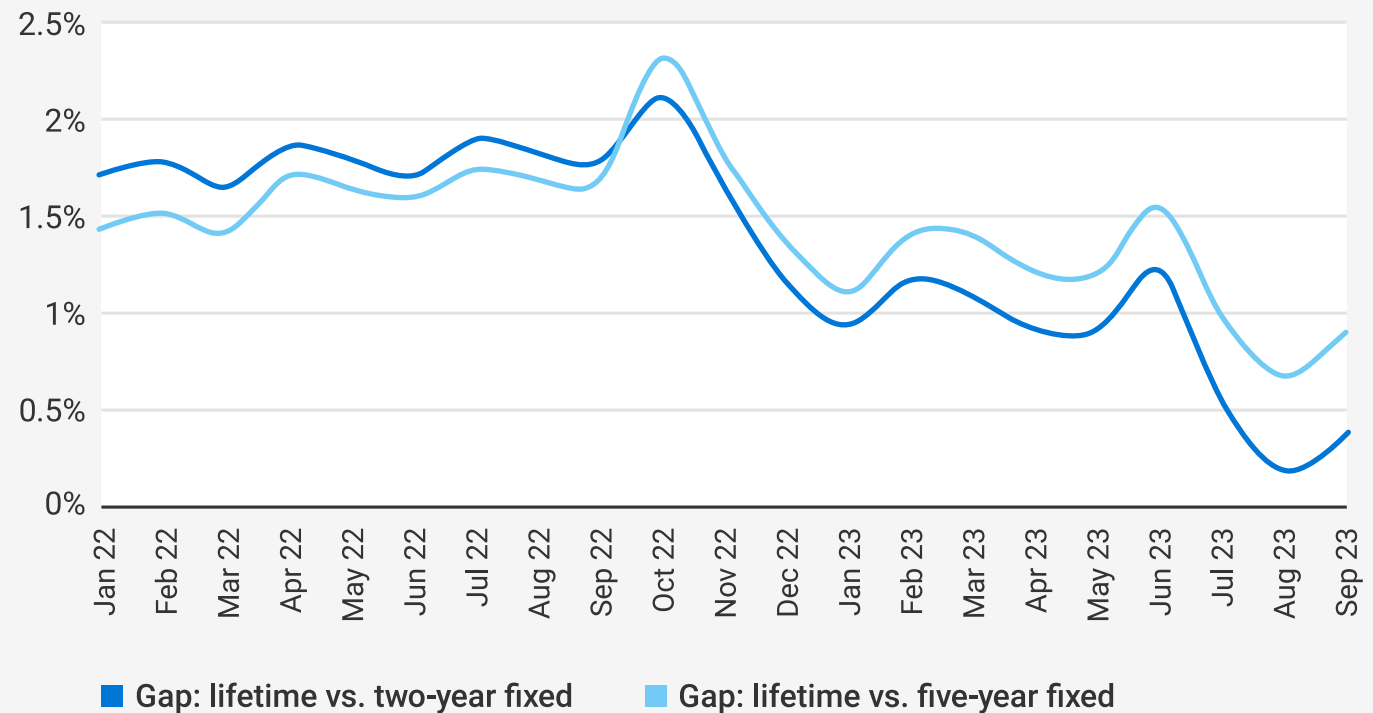


# Closing the gap: Lifetime mortgages and fixed residential mortgages

## Advantages of using LTMs

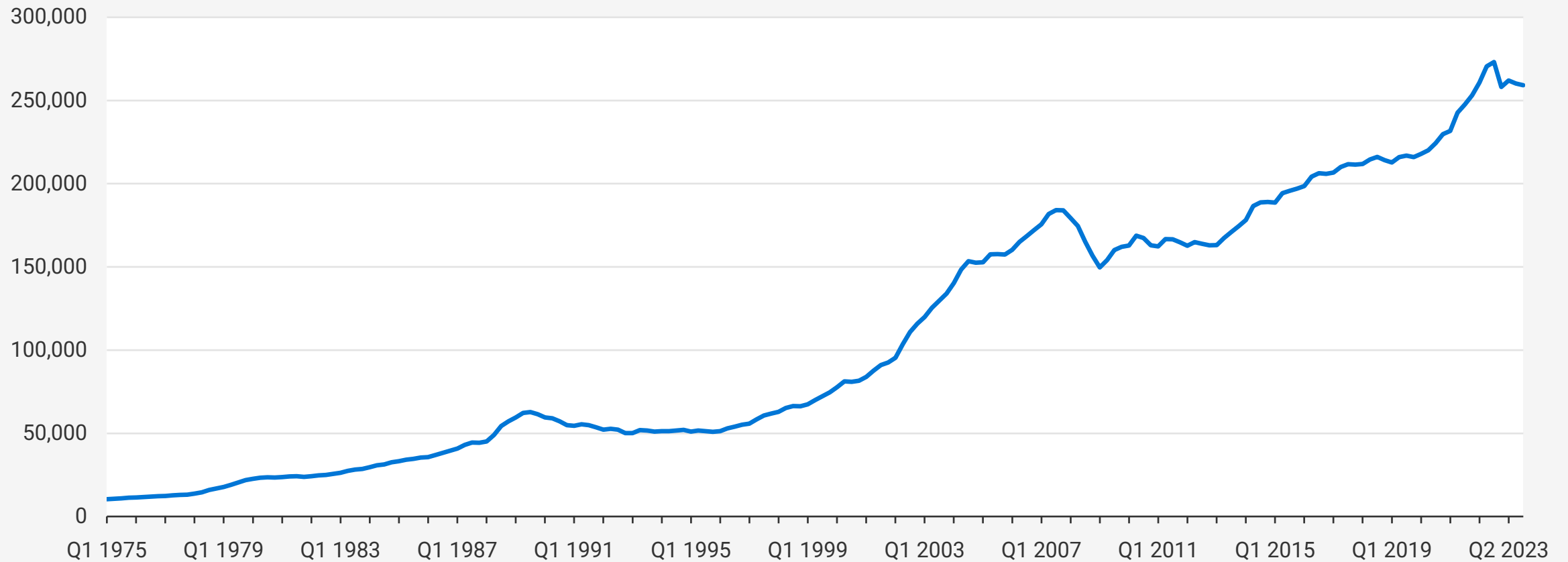
- ✓ LTMs offer a fixed rate for life where servicing the interest is optional
- ✓ The uneven effect of rate rises has reduced the gap between LTMs and residential mortgages since 2022
- ✓ LTMs typically carry a price premium compared with residential mortgages
- ✓ LTMs offer clients the option to make partial repayments to manage the borrowing costs

Rate gap between lifetime mortgages and fixed residential mortgages



# House price inflation since 1975

Average UK house prices (£) since 1975



# Equity Release market

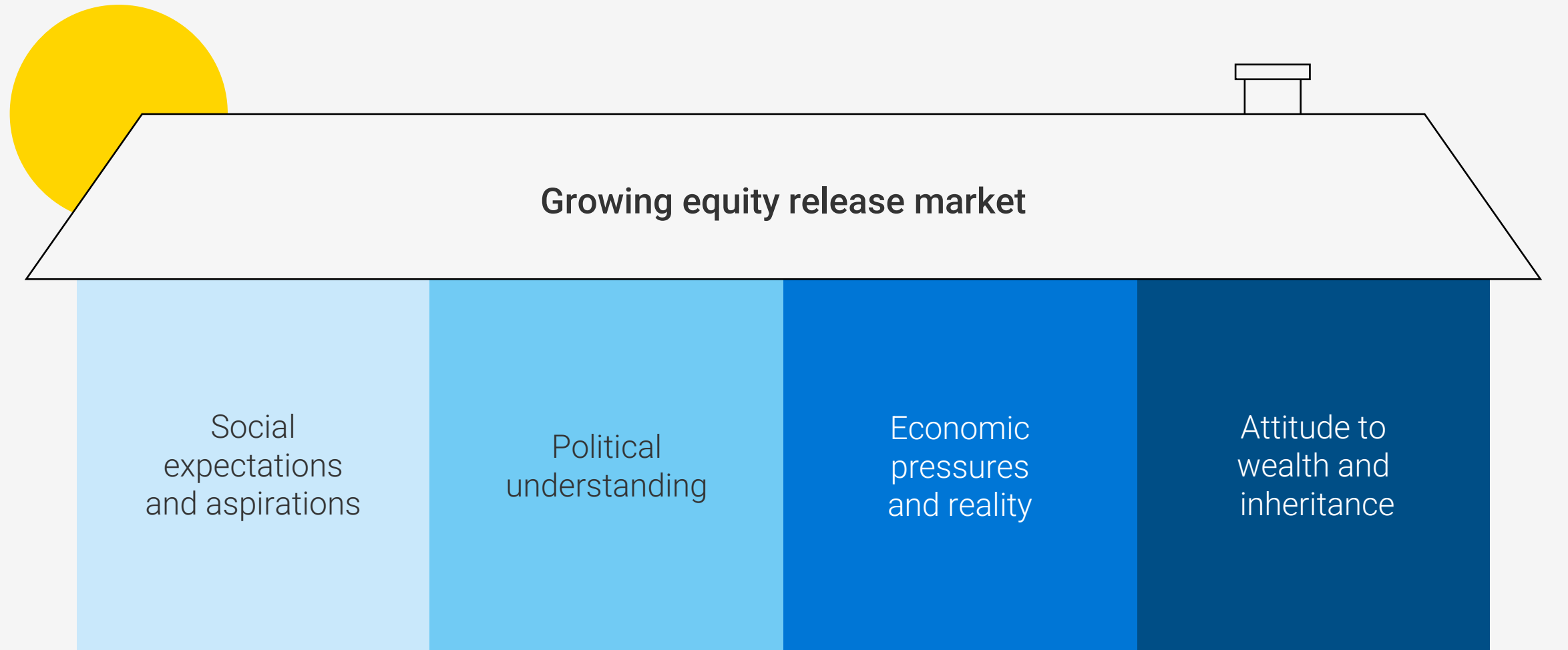


Equity release market  
**2023**



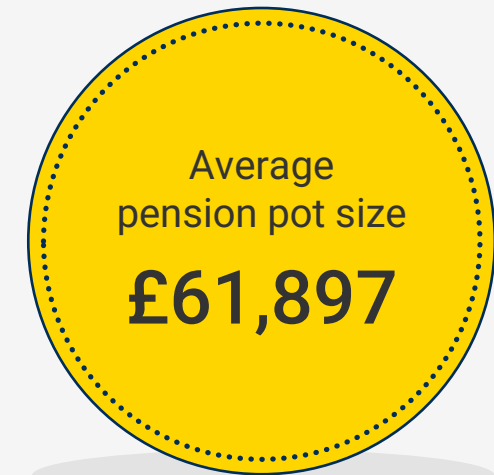
Equity release market  
**2030**

# Market growth factors





# Market growth factors



# Why Later Life Mortgages

**Increasing  
embedded value of  
your client base**

**Broaden  
proposition**

**Maximise  
customer value**

**Recurring income**

**Lead your peers**

**Increase  
recruitment appeal**

# Target market

# Client objectives

- Later life divorce
- Intergenerational planning
- Property purchase
- Maintain or improve standard of living
- Home improvements or adaptations
- Energy efficient improvements
- Bank of family
- Clear existing debt or pay off mortgage



# The challenges facing the later life care system

## 2045

The over-85 cohort is set to reach 3.1 million by 2045.

## 70 years

Our social care system is over 70 years old. We've seen 12 green/white papers and 5 independent commissions in the last 20 years.

## 11.5 million

There are an estimated 11.5 million unpaid carers in the UK, including many of your customers and employees who are caring as well as working.

**This has resulted in a rise and growing pressures on the 'informal' carer**

A carer is anyone 'who looks after an ill, older or disabled family member, friend or partner. It could be a few hours a week or round the clock, in their own home or from afar.'



# The rise of the informal carer

Most carers are 45–65 years old, with a higher proportion being female.

**72%**

of carers have suffered mental  
ill health as a result of caring

**61%**

said they had suffered physical  
ill health as a result of caring

**39%**

of people struggling to  
make ends meet

**8/10**

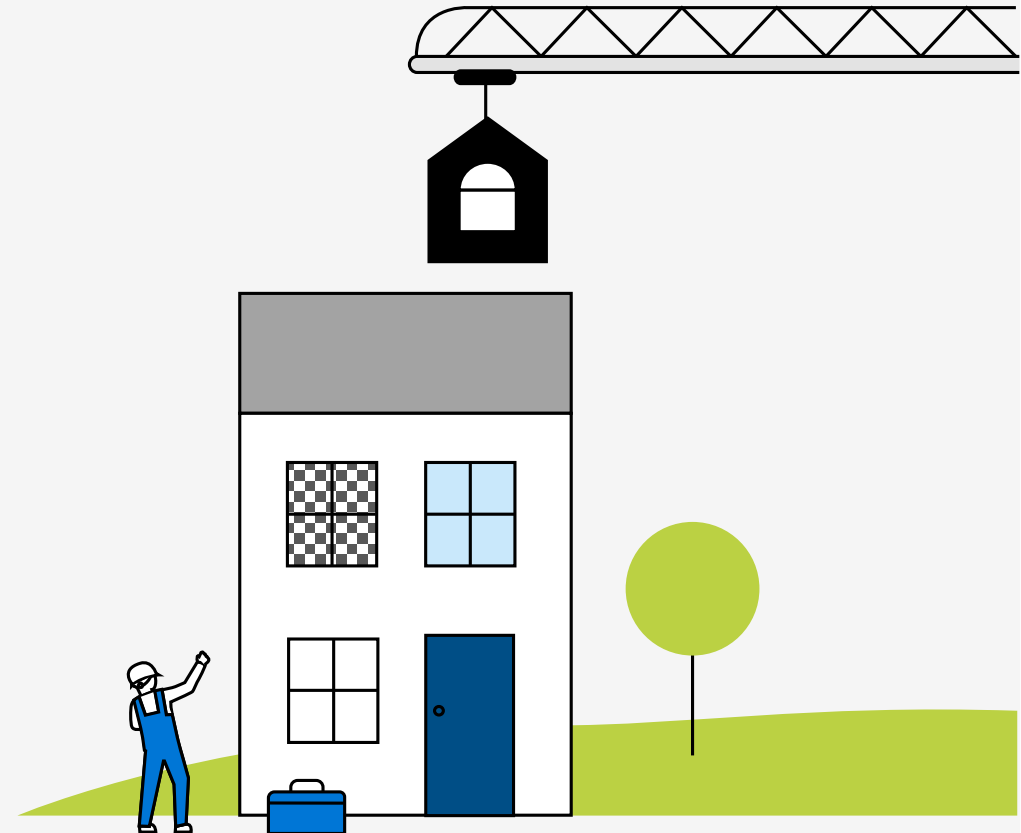
people caring for loved ones say they  
have felt lonely or socially isolated



# Home improvements

- **51% of clients** use a lifetime mortgage for home improvements
- Improve rather than move trend
- Adaptation to remain in the family home

For clients who wish to **future proof** their property, ready for later life.

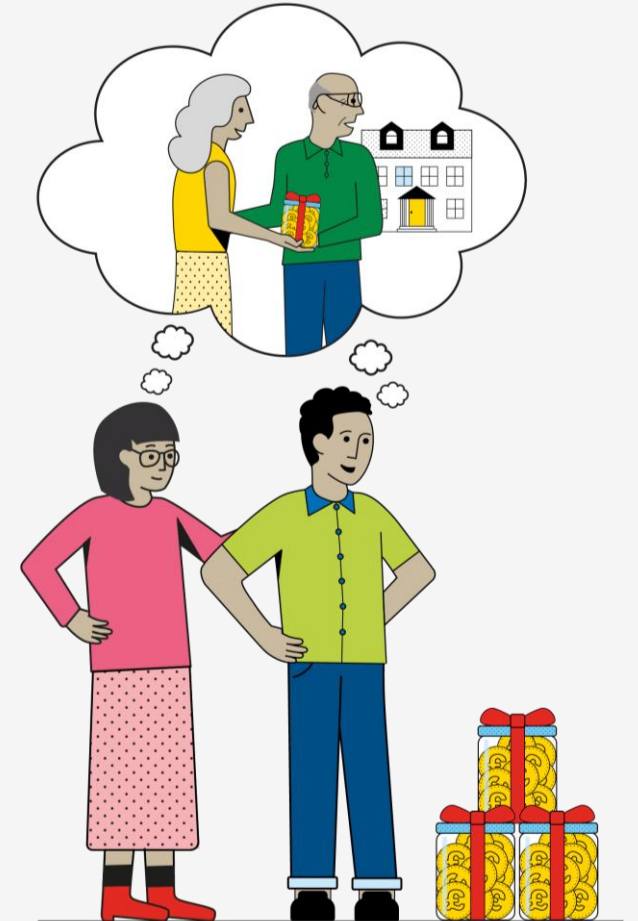


# Intergenerational support

Using a lifetime mortgage to make an outright gift – early inheritance:

- The ability to control the timing of the gift
- The emotional benefit of seeing loved ones improve their lives
- Avoids the need to downsize and leave the family home
- Can be used as part of tax efficient estate planning

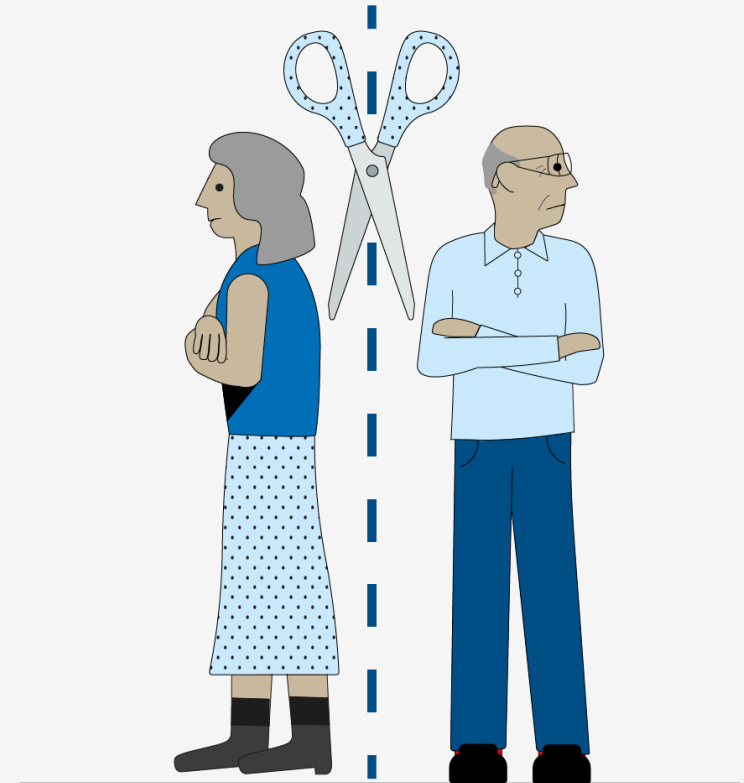
**Future proof your business.** Building relationships with the next generation of investors.





# Later life divorce

- **1 in 3** divorces happen over the age of 50
- In **54%** of cases, one partner will stay in the family home
- Property **shortage** and high cost of moving
- Cost of divorce legal fees: **£17k–£30k**
- While a **pension** may support one home, when **split** over two households it may not be enough
- Utility bills, Council Tax, additional rent / mortgage
- **Emotional cost** of leaving the family home
- Only 12% of divorcees over 50 sought financial advice



# Interest-only mortgages

- 702,000 homeowners with pure interest-only mortgages
- IHT planning
  - Using a lifetime mortgage to stay below the threshold
- How many have a repayment vehicle?



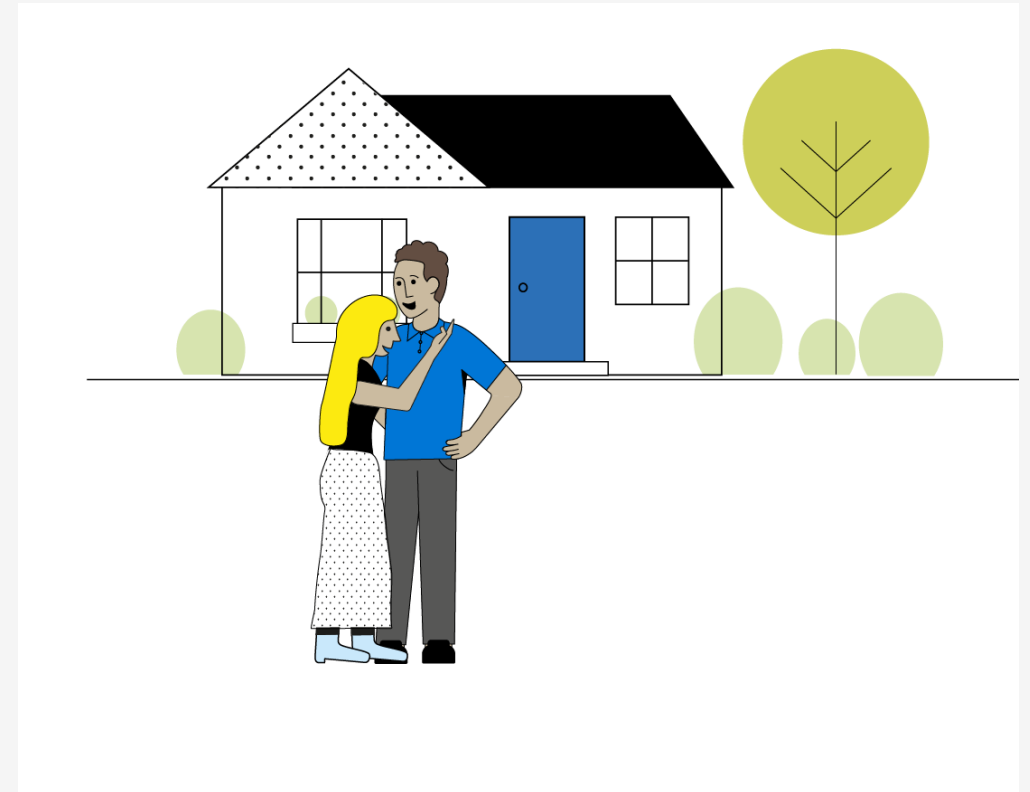
# Asset rich, cash poor

## Baby Boomers more freedom and more choice

- Benefitted the most from asset appreciation
- Pension freedoms – more responsibility for finances in old age

## Generation X more financially stretched

- Benefitted from rising house prices and low borrowing
- Unable to set money aside for pension / emergencies
- Open to financial shock



# Helping customers post-completion

# Customers in Vulnerable Circumstances

LGHF have focused efforts over the last few years on building better support and protection for our vulnerable customer base.



**Vulnerable customer toolkit**  
to support our most vulnerable

**Care Concierge partnership** to support those in need of care guidance

**Royal Voluntary Service partnership**  
to support for those in crisis

**Customer assistance helpline**  
Available to all customers  
free of charge

**Increased customer engagement**  
via new touchpoints

**Bereavement support and help**  
when our customers need us the most

**Scam awareness** during initial completion and additional borrowing

**Higher risk trigger points** mainly focusing on drawdown journey

**Vulnerable Customer Training**  
and **Quality Reviews** to ensure our people have the right tools

**LPA awareness and acceptance**  
including third party access



# Thank you.

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