

Lifetime Mortgage Option or Home Reversion Plan?



Consider the options

Mr Jones, aged 75 owns a property valued at £200,000. He would like a cash lump sum of £50,000 to consolidate some existing loans, carry out home improvements and help his grandson with university fees.

The following example considers both a Lifetime Mortgage Option where the client takes out an initial lump sum of £50,000 and a Home Reversion Plan where 45% of the property is sold to give a cash sum of £50,000. It shows the potential effect of house price inflation/deflation over the client's lifetime based on the following assumptions:

- House price deflation of 1%
- House price inflation of 1%
- House price inflation of 3%

House Price Growth	Lifetime Mortgage Option	Home Reversion Plan
End of year 15 -1% Property Value: £172,012	 Remaining Equity £40,000 O/S Loan £132,012*	 Remaining Equity £94,607 45% = £77,405**
End of year 15 +1% Property Value: £232,193	 Remaining Equity £100,181 O/S Loan £132,012*	 Remaining Equity £127,707 45% = £104,486**
End of year 15 +3% Property Value: £311,593	 Remaining Equity £179,581 O/S Loan £132,012*	 Remaining Equity £171,377 45% = £140,216**

* Hodge Lifetime – Lifetime Mortgage Option ** Hodge Lifetime - Home Reversion Plan

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