

## BEST REVERSE MORTGAGES



### GOLD WINNER HEARTLAND SENIORS FINANCE

Retirees can tap into the equity in their home to help fund their dream lifestyle

Home ownership gives retirees the security of a roof over their head but the downside is having significant wealth tied up in the family home - it's money that could be used to see seniors through their later years.

Downsizing to a smaller place may seem like a simple solution to the asset rich/cash poor dilemma but it's not always the quick fix it appears to be.

Research by National Seniors Australia finds many seniors regard the process of downsizing as confusing and costly and involving too much personal and financial upheaval.

That's when a reverse mortgage can offer a relatively low-stress means of tapping into home equity to free up money

	INSTITUTION	PRODUCT	RATE	TOTAL COST <sup>1</sup>	APPL'N FEE	VALN FEE	ANNL FEE	MAX LOAN	COMBO LUMP SUM, INSTALMTS	MIN AGE
1	Heartland Seniors Fin	Reverse Mtge	6.29%	\$94,954	none	\$350 <sup>2</sup>	none	\$2 million <sup>3</sup>	✓	60
2	Bankwest	Snrs Equity Rlse	6.27%	\$95,540	\$695	none	none	\$250,000	✗	65
3	Commonwealth Bank	Equity Unlock	6.37%	\$98,908	\$950	none	\$144	\$425,000	✓	65

Source: CANSTAR. All loans allow extra repayments. <sup>1</sup>Total cost at the end of year 10 is the compounded interest payment, where interest is capitalised, and fees over the 10 years and repayment of the principal. <sup>2</sup>Waived if loan proceeds to settlement. <sup>3</sup>For amounts more than \$1 million different fees may apply.

The winners were ranked by scores for product features (30%) and cost (70%), based on a variable-rate 10-year loan for a \$50,000 lump-sum payment. Products have a no negative equity guarantee and be available in NSW, Victoria and Queensland.

for living, instead of moving out. As the name suggests, a reverse mortgage works like a regular home loan but in reverse. Instead of making payments to the bank, the home owner receives regular payments (or a lump sum if preferred) from the lender. The loan

is secured by your home and no repayments are necessary until you sell the property or pass away. It may mean leaving a smaller estate to loved ones but the upside is having the funds to enjoy a better life-style in retirement.

**Heartland Seniors Finance**, which also won this award last year, offers reverse mortgages to homeowners aged 60 and over. A range of drawdown options is available including a lump sum (minimum of \$10,000) followed by a series of regular advances.

Alternatively, Heartland customers can skip a lump sum and rely on a regular advance to supplement their income with funds paid annually, quarterly or monthly. The minimum advance is \$500 a month, \$625 a quarter or \$2500 a year.

Heartland also lets seniors set up a reverse mortgage cash reserve that sets funds aside for future needs. Interest is only paid on amounts drawn down, with a minimum drawing of \$2500.

The total amount you can borrow through Heartland ranges

### DOWNSIZERS GET A BOOST

Under new rules announced in the federal budget, from July 1, 2018 homeowners aged 65 or over will be able to contribute up to \$300,000 to super from the proceeds of selling their home.

Couples will be able to contribute up to \$300,000 each, giving a total of \$600,000. The contribution won't count towards the before-tax or after-tax super contribution limits though you will need to have owned your home for the past 10 years. The legislation has yet to be passed by the senate.

from 15% of your home's value if you're aged 60 through to 45% if you're aged 90-plus. The secured property can also be a holiday home or investment property, though the maximum borrowing is reduced by 10%.

**Bankwest's Seniors Equity Release Loan** is available to borrowers aged 65-plus. The maximum borrowing is 25% of your home's value up to a limit of \$250,000.

**CBA's Equity Unlock Loan** is available if you're aged 65 or over, and the maximum borrowing is 40% of your property's value to a limit of \$425,000 depending on your age.

### A DREAM TOO FAR

Top 5 things preventing baby boomers from 'living the dream'



Source: FPA Live the Dream 2017 national sentiment research