

BEST REVERSE MORTGAGES



GOLD WINNER HEARTLAND SENIORS FINANCE

Retirees can tap into home equity to ensure they don't run out of money

Please note the following changes to the Heartland Reverse Mortgage:

Settlement Fee: \$495

Interest Rate: 6.54% (comparison rate 6.56%*)

Reverse mortgages let older Australians tap into home equity as a source of funds in retirement. Australia's over-65s collectively hold around \$500 billion in home equity – a potentially valuable resource that can provide an alternative to selling a much-loved home.

The choice between downsizing and reverse mortgages has become muddled. Since July 1, 2018 homeowners aged 65-plus have the option to make a downsizer super contribution worth up to \$300,000 – or a total of \$600,000 when a home is owned jointly by a couple – from the profits on the sale of a family home. The downside is that the cash left over after you buy a

	INSTITUTION	RATE	TOTAL COST ¹	APPLN FEE	VALN FEE	ANLN FEE	MAX LOAN	COMBO LUMP SUM, INSTALMTS	MAX LVR	MIN AGE
1	Heartland Seniors Fin	6.29%	\$94,955	none	none	none	No max	✓	45%	60
2	IMB	6.25%	\$94,184	\$495	none	none	\$1 million	✓	50%	70
3	P&N Bank ²	6.24%	\$95,366	\$395	none	\$80	\$300,000	✗	35%	65

Source: CANSTAR. All loans allow extra repayments. ¹Total 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. ²Only available in WA.

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.

new place could impact eligibility for the age pension.

Reverse mortgages can potentially, though not always, eliminate this problem. The loan funds can be taken as a regular income stream or as a lump sum, and no repayments are

necessary until you pass away or sell your home, usually to move into aged care. Be aware, though, that the cash received under a reverse mortgage can also impact age pension entitlements, so it's something worth discussing with the Department of Human Services before you sign on the dotted line.

While reverse mortgages are an appealing product for seniors, the number of providers is shrinking. Today there are only a handful of providers – chiefly Heartland Seniors Finance, P&N Bank and IMB – and a lack of choice rarely works in consumers' favour. One impact of this is that the rates on reverse mortgages are much higher than for regular home loans.

You have to hand it to Heartland Seniors Finance. It has been a stalwart of the reverse mortgage market for many years, and has topped this award for the past two years. While the loan is available from 60, the amount you can borrow is determined by your age and the value of the

THE REAL ISSUE BEHIND REVERSE MORTGAGES

According to a review by the watchdog ASIC, seniors don't always understand the long-term impact of a reverse mortgage on their home equity. As a guide, a 60-year-old borrowing \$118,000 (the average reverse mortgage) at 6.3% could owe \$392,000 by age 80. If rates rose by just 2% the debt could increase to \$550,000. However, the big unknown is how much your home's value will rise.

The MoneySmart website features a reverse mortgage calculator that lets you play around with the numbers to gauge the likely impact in different scenarios.

property. The loan can be taken as a lump sum, cash reserve facility, regular advance or a combination of these.

IMB's reverse mortgage is the new kid on the block, having only been available since September 2018. It's open to homeowners aged 70 or older, and the funds can be mixed and matched as a lump sum payment, regular payments or a flexible cash draw facility.

The P&N reverse mortgage is available for over 65s, with loan sizes starting at \$10,000 and rising to as much as 35% of your property's value.

ON THE RIGHT ROAD

Per cent of retirees who are confident their money will last in retirement (average of RR & LR)



Source: State Street Global Advisors Global Retirement Reality Report

RR: Recently Retired
-retired within the last 5 years
LR: Later in Retirement
-retired more than 5 years ago



*The comparison rate is based on a loan of \$150,000 secured for a term of 25 years. Please note the comparison rate only applies to the example given. Different loan amounts and terms will result in different comparison rates. Costs such as redraw fees and costs savings, such as fee waivers, are not included in the comparison rate but may influence the cost of the loan.