



FINANCING FOR A SECURE RETIREMENT

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Financing for a secure retirement

With over-60s finding it more challenging than ever to obtain loans, a Heartland Reverse Mortgage can provide a solution to both their current and future needs



IT'S NO secret that Australia has an ageing population. With one of the highest life expectancies in the world, more people in this country are spending more time in retirement than ever before. It's good news on paper, but for Sharon Yardley, head of operations

at Heartland Seniors Finance, it's also an indication of how many Australians – both retired and otherwise – need to rethink how they're going to fund their golden years.

"We're seeing a mix of increased cost of living and increased debt upon entering

retirement," Yardley explains. "Options for accessing superannuation have also become more restrictive – and when you consider how stringent the lending conditions can be for over-60s, you can immediately see how issues can arise. A comfortable retirement is

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becoming less possible on the pension alone.”

So, what sorts of solutions are available for prospective retirees who find themselves cash poor?

Yardley points to equity release products – such as reverse mortgages – as a potential solution. These allow the customer to release equity from their home and use their loan for a range of purposes.

Why a reverse mortgage?

A reverse mortgage, Yardley explains, is like a standard home loan but designed specifically for the needs of seniors. No regular monthly loan repayments are required, and the interest is capitalised monthly to the loan balance.

Some of the most popular purposes of these loans include consolidating debt, and supplementing age pension income to pay ongoing bills and expenses or fund home improvements, travel, medical costs, or upgrading to a newer and safer car. Additionally, customers who need a little help doing the things they do every day can use a reverse mortgage to pay for in-home care, or to assist with the costs of residential aged care.

Yardley notes that there has been continued demand for reverse mortgages throughout the COVID-19 pandemic. Additionally, there's been a shift in loan purposes towards debt consolidation and home improvements.

“It's a pretty clear demonstration that



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Sharon Yardley, head of operations, Heartland Seniors Finance

people are thinking about their finances more, and how they can remain independent during retirement without loan repayment stress,” says Yardley.

“Reverse mortgages could provide you with financial freedom by releasing equity within your home, allowing additional cash flow without needing to sell.”

Additionally, Yardley notes, a flexible loan structure – an initial advance, regular advances, or a cash reserve, like a ‘line of credit’ – gives many retirees peace of mind and allows them to enjoy a more comfortable retirement free from financial stress.

Heartland offers clients the following three flexible options for accessing the equity in their homes when required, which can be used in combination. Having a range of flexible drawdown options means the loan can be tailored to suit individual needs.

- **Lump sum:** This is the initial advance made to the borrower on settlement. In addition, a Regular Advance or Cash Reserve facility can be made available on settlement.
- **Regular advances:** Heartland's Regular Advance option enables a borrower to supplement their retirement income with regular instalments. This can be done monthly, quarterly or annually for up to 10 years, and helps many customers live a better retirement.
- **Cash reserve:** Heartland's Cash Reserve facility enables a customer to put aside some funds to request later for future needs, such as renovations, travel or healthcare, to take the stress out of paying bills or unexpected expenses.

“The loan only becomes repayable when the customer moves permanently from their home – usually when they sell the property, move into long-term care, or pass away,” says Yardley.

“Repayments, in part or in full, can be made voluntarily at any time, and new customers also have redraw available so can apply to access these repayments back again in the future”.

Making informed decisions

Yardley stresses that there are many protections in place to safeguard reverse mortgage borrowers. To ensure the loan is suitable, projections showing equity and loan growth over time must be provided to each customer. This, combined with genuine conversations about their future needs, and independent legal advice, ensures that customers are well informed and have



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planned for their needs now and in the future, and how their reverse mortgage can support these requirements and objectives.

“It’s critical that our customers make an informed decision, so we always encourage them to thoroughly understand how a reverse mortgage loan may affect their personal circumstances,” Yardley says.

“Maximum LVRs, No Negative Equity Guarantee, Lifetime Occupancy and an Equity Protection Option are designed to protect borrowers so they can feel confident in taking out a reverse mortgage with us.”

- **Maximum LVRs:** The maximum LVR that Heartland offers is based on the age of the youngest customer.
- **Lifetime Occupancy:** The borrower’s home will remain the place they live in for as long as they choose. They always retain ownership of their home, benefiting from any increase in property value.
- **No Negative Equity Protection:** The amount required to repay the loan will never exceed the net sale proceeds of the property.
- **Loan Repayment Promise:** There is no requirement to make any loan repayment until the end of the loan.
- **Equity Projections:** Using the ASIC MoneySmart reverse mortgage calculator, Heartland provides loan projections to all customers that demonstrate how the debt will increase over time.

Heartland also requires all of its customers to receive independent legal advice, and strongly recommends financial advice, family involvement and discussions with Centrelink to ensure there are no entitlement impacts. Part of the fulfilment process includes a compliance call to the customer to confirm the loan structure and that they have received and understood the required compliance information.

“Reverse mortgages could provide you with financial freedom by releasing equity within your home”

Sharon Yardley, head of operations, Heartland Seniors Finance

“The main concern is future needs, including the cost of aged care, and the customer not having enough equity remaining in their home to pay for these,” says Yardley. “But with this in mind, reverse mortgages are arguably one of the most heavily regulated consumer finance products in Australia.”

Importantly, Heartland does not own any percentage of the borrower’s home. Additionally, debt is not left to their children or beneficiaries. Heartland also provides equity protection options and a 30-day cooling-off period.

“A Heartland Reverse Mortgage is repayable 12 months from when the customer moves from their owner-occupied home permanently,” says Yardley.

“With a No Negative Equity Guarantee, the debt cannot exceed the net sale proceeds of the property. Additionally, up to 50% of the property can be protected through our Equity Protection Option – so, if this option is chosen, the estate is guaranteed to receive

their chosen equity percentage when the house is sold.”

Securing a more comfortable retirement

Ultimately, Yardley sees reverse mortgages as a means of providing customers with peace of mind in retirement. Given the ongoing and rising costs involved in retirement, reverse mortgages are emerging as an increasingly popular path for retirees.

“We’ve helped over 21,000 Australians live a more comfortable retirement,” says Yardley. “Heartland is proud to have been awarded the InfoChoice Best Reverse Mortgage in 2020, and we place significant importance on the duty of care we have for each and every customer.” **YM**

To request your FREE Reverse Mortgage Guide and find out more about Heartland Seniors Finance, click [here](#).

Every situation is different – this information has been prepared without taking into account your needs, objectives or financial situation. If you are considering a reverse mortgage, we encourage you to understand how it may affect your personal circumstances. Talk to friends and family, speak to professionals, and use the resources and tools Heartland has available. Subject to complying with the terms and conditions of the Heartland Reverse Mortgage, you will not owe more than the net sale proceeds of your home, and you can keep your home for as long as you choose.

Loans are subject to loan approval criteria. Terms, conditions, fees and charges apply. Credit provided by ASF Custodians Pty Ltd (ACN 106 822 780/Australian Credit Licence No. 386781).

ABOUT HEARTLAND



Heartland Seniors Finance is Australia’s leading reverse mortgage provider. Established in 2004, we have helped over 21,000 people aged 60 and over release more than \$1.2bn in equity from their homes, helping them live a more comfortable retirement with independence and dignity.

Our award-winning, market-leading product is supported by expert, personalised service, making Heartland Seniors Finance the reverse mortgage lender of choice for many Australians.

Heartland Seniors Finance is owned by Heartland Group Holdings Limited – a New Zealand-based financial services group with a history stretching back to 1875. Heartland Group Holdings is listed on the NZX and ASX and has operations in New Zealand and Australia. Heartland Seniors Finance is dedicated to doing what matters most to our customers, our communities and our shareholders. For our Heartland Seniors Finance customers, that means putting all our heart into helping them make informed decisions to meet their retirement needs.

We’re hands-on and dedicated to doing the right thing when it comes to providing reverse mortgage options that work.