



# Helping family onto the property ladder

**Mike (60) and Judy (59) live in Lytham with their 2 grown up children, Jessica (26) and Martin (22). Jessica is looking to move out of her parents' house to have space of her own. Her parents are fully supportive of the move and would prefer her to purchase a house rather than rent as they feel that renting is 'dead money'.**

Jessica has managed to save £3,000 so far and has found a house she likes in Warton which is central to her parent's house and her work. The house she likes is on the market for £140,000 and based on Jessica's income and affordability, her mortgage adviser has confirmed that she qualifies for a mortgage of £120,000. She would therefore need a deposit of £20,000 to purchase the house.

Jessica and her parents attended the mortgage meeting together and they are really keen to help her get onto the property ladder, but only have a small amount of savings available (£2,000). Their mortgage adviser works for a bank, so they discussed potentially taking out a bank loan and found out they

can apply for a loan of roughly £10,000. Mike and Judy are aware that their son, Martin, will also be considering moving out in the next few years and they would like to treat them both equally. They know that the loan won't cover the full amount needed for Jessica's deposit and they may not be able to help Martin out if he decides to move out soon.

Their mortgage adviser suggested that they could take out an equity release plan on their home to help both of their children onto the property ladder. He visited the Key Partnerships website to use the eligibility checker to see if they would qualify and how much they would be able to release.

Based on the age of the youngest applicant (Judy 59) and the value of their home (£280,000), they could release £74,200 from their home. As they only require £20,000 right now, they could choose a drawdown plan with an initial release of £20,000 and then draw down a further amount when their son is looking to move out.

### Mike and Judy's calculation

Assets	Costs	Shortfall	Release amount available
Savings: <b>£2,000</b>	Total deposit for houses: <b>£40,000</b> <i>Daughters house deposit: £20,000</i> <i>Sons house deposit: £20,000</i>	<b>£38,000</b>	<b>£74,200</b>

They like the idea of equity release, particularly not having to make monthly repayments on the money taken out, but they are also really concerned that the compound interest would roll-up meaning they cannot leave their children with any inheritance when they pass away. However, some equity release plans come with an inheritance protection feature, meaning that clients can protect a percentage of their home's future value by not taking the full release amount available.

The Bank of Mum and Dad helped over 310,000 first-time buyers get onto the property ladder in 2018 and equity release could be an option for clients considering this\*.

\*L&G Bank of Mum and Dad Report 2018