Later Life Lending: Your Home Can Help Fund Your Retirement

For many Australians, retirement creates an unusual financial situation. You may own a valuable home, have substantial equity and be financially secure — yet find it difficult to borrow money.
Traditional lending is generally built around employment income and the ability to make regular monthly repayments. Once you retire, accessing traditional credit can become more difficult, even when you have considerable wealth.

Later Life Lending and Reverse Mortgages provide another option. Rather than focusing only on income, these lending solutions can allow eligible older homeowners to access a portion of the wealth accumulated in their home — without necessarily selling it or making regular loan repayments.



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From The Lion's Den

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Asset Rich, but Cash-Flow Constrained

Australians can spend 30 or 40 years paying down their mortgage and building equity in their family home.

By retirement, that property may be worth $1 million, $2 million or more. The problem is that you can't use bricks and mortar to pay for a new car, renovate the bathroom or meet an unexpected medical expense.

This can leave retirees **asset rich but cash-flow constrained**.

A reverse mortgage allows eligible homeowners to borrow against their home while continuing to live there. Regular repayments are generally not required. Instead, interest is added to the loan balance, with the debt typically repaid when the property is eventually sold or from the estate.

Importantly, this doesn't necessarily mean borrowing a large percentage of the home's value.

Recent Heartland Bank research found new reverse-mortgage borrowers typically initially accessed around **$150,000 — approximately 15% of their home's value**.

The objective should not be to maximise debt. It is about accessing the **right amount of capital, for the right reason, at the right time**.

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Why Might You Need to Borrow in Retirement?

Retirement doesn't mean the need for money suddenly disappears. In some circumstances, the need for additional capital can actually increase.

Later Life Lending could potentially be used to:

- **Refinance an existing mortgage or other debt** and remove the pressure of regular repayments from retirement cash flow.
- **Renovate or modify the family home**, allowing you to remain living independently at home for longer.
- **Fund medical, dental or health expenses** without needing to make a significant withdrawal from other investments.
- **Pay for additional care at home**, including assistance that allows you to maintain your independence.
- **Assist with aged-care costs**, particularly where one partner requires care while the other wants to remain in the family home.
- **Replace a car** or fund another significant one-off purchase.
- **Supplement retirement income** and provide additional money for everyday living expenses.
- **Create an emergency cash reserve** for unexpected expenses.
- **Help children or grandchildren**, potentially with education or a first-home deposit.
- **Travel and enjoy retirement** while you are healthy enough to do so.

Heartland's research provides an interesting picture of how retirees actually use their housing wealth. Reported purposes included renovations, debt consolidation, vehicle upgrades, supplementary retirement income and travel.

These aren't necessarily signs of financial difficulty. They can simply reflect the reality that a retiree's wealth and their available cash can be in very different places.

Staying in the Home You Love

One particularly valuable application of Later Life Lending is helping people remain in their family home.

Downsizing isn't always the simple solution it appears to be.

Your home may be close to family, friends, doctors and your community. Selling also involves moving costs, transaction costs and finding somewhere suitable to live.

Sometimes the better solution may be to use a relatively small amount of home equity to renovate the property, modify bathrooms, improve accessibility or fund additional in-home support.

In this situation, borrowing isn't simply about accessing money.

It can be about maintaining independence and choice.

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From Three Retirement Assets to Four

Retirement planning traditionally focuses on three main financial resources:

Superannuation + Investments + Pension/Income

For homeowners, there is potentially a fourth:

Home Equity.

Rather than automatically selling the family home or exhausting other assets first, Later Life Lending allows housing wealth to become part of the broader retirement funding conversation.

Household Capital, for example, positions home equity as another source of retirement capital that can potentially be used alongside superannuation and other retirement savings.

That creates an important question:

Should you spend your superannuation and investments first, or could carefully accessing some housing equity provide greater flexibility and help preserve other assets?

There isn't one answer for everyone.

That's why Later Life Lending can work particularly well when a **Mortgage Broker and Financial Planner work together**.

The broker can investigate appropriate lending structures and product options, while the financial planner considers the impact on superannuation, investments, cash flow, government benefits, aged care and estate planning.

What About the Children and Their Inheritance?

This is an important conversation.

Using home equity today will generally reduce the equity ultimately remaining in the property.

But there is another way of looking at it.

You've spent decades building that wealth. Should all of it necessarily be preserved for the next generation, or could a carefully considered portion be used to make your own retirement more comfortable, secure and enjoyable?

Some retirees may even decide to use a portion of their housing wealth to help their children or grandchildren earlier in life.

The important thing is that the decision is understood and planned.

Understanding the Trade-Off

Later Life Lending isn't free money.

Because regular repayments generally aren't required with a reverse mortgage, interest is added to the loan and compounds over time.

Australian reverse mortgages also have important consumer protections, including negative equity protection for loans entered into from 18 September 2012. This generally means the borrower cannot ultimately owe the lender more than the value of the home.

Borrowers should nevertheless understand how the debt could grow and how much home equity could remain in 10, 15 or 20 years.

That's why the conversation shouldn't simply be:

"How much can I borrow?"

It should be:

"How much do I need, what am I using it for, and what will that decision mean for my retirement in the future?"

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Retired Doesn't Mean You Can't Borrow

For generations, Australians have been encouraged to reach retirement debt free.

That's still an excellent objective.

But being debt free doesn't necessarily mean you should never borrow again.

Someone could own a $2 million home and still have limited disposable income. Accessing $50,000, $100,000 or $150,000 of that wealth could potentially solve an important financial problem or significantly improve their retirement — without having to sell the family home.

Later Life Lending is ultimately about choice. Used appropriately, it can turn otherwise inaccessible property wealth into usable retirement capital.

Instead of asking:

"Why would I want debt when I'm retired?"

Perhaps the better question is:

"How can I use all of the wealth I've accumulated — including my home — to fund the retirement I want?"

This article contains general information only and does not constitute financial, credit, taxation or legal advice. Reverse mortgages and other home-equity lending can reduce the equity remaining in your property and may affect future financial, aged-care, government-benefit and estate-planning decisions. Consider obtaining appropriate professional advice before proceeding.

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