Transform your retirement with a Household Loan

Is the cost of living making it hard to make ends meet or interfering with your plans?

Have you been thinking you'd like to do more with your retirement?

If you need to improve your retirement funding, there's a good chance we can help you.

Australia's retirees typically fund their retirement using a combination of savings in superannuation and other investments, plus the Age Pension. Unfortunately, many Australians retire without enough superannuation to fund a comfortable retirement. If you're in this situation, it can be hard to maintain the lifestyle you worked hard to enjoy.

There is another option available to Australia's senior homeowners – the wealth built up in your home. We enable you to draw on this '*Household Capital*™' via a Household Loan. It allows you to access a portion of your home's value to meet your long term retirement needs.

Household® Capital

What is home equity?

Home equity is the market value of your home, minus any outstanding debts you may have registered against it. In other words, it's the net value of your home.

Equity release is the mechanism through which you can access some of the wealth locked up in your family home.

Your home equity can be accessed in a range of ways:

- By downsizing and using excess capital to improve your retirement funding
- Through a home reversion scheme, which generally entails the part-purchase of your home
- Through a reverse mortgage, a loan facility that does not require repayment until you leave your home.

Each of the available products allows you to access some of your home's accrued value, so you can use it now while remaining in your family home.

What is a Household Loan?

Our Household Loan is a type of reverse mortgage that's been designed to work within Australia's retirement system. It can help you access the wealth accumulated in your home to enhance your lifestyle and wellbeing in retirement, without needing to sell or downsize.

A Household Loan allows retired Australians to access their home equity. This is achieved via a loan facility that doesn't require repayment until you vacate the property and comes with a number of protections, including guaranteed occupancy for as long as you want to live in your home.

How can I use a Household Loan?

A Household Loan can be used to transform your retirement in a number of ways. We've found most of our clients use their *Household Capital* for two or more purposes, such as:

- Providing a regular income stream through our regular drawdown facility
- Topping up a super or pension account to boost retirement funding
- Paying off an existing mortgage or other debt
- Undertaking home modifications or renovations to make your home safe and comfortable for retirement
- Setting up a contingency fund for those unexpected expenses, which can be drawn on as you need it
- Buying a new car
- Being the 'bank of mum and dad' to help your children and grandchildren when they need it most with a first home deposit or education expenses
- Paying for in-home or residential aged care.

Do I have to take it all at once?

A Household Loan can provide a regular income stream, a lump sum payment or both! We provide flexibility and choice so you can use your money in a way that best enhances your long term retirement funding.

Taking the money only as you need it will minimise the interest accrued over the life of your loan.

Can I get a Household Loan to downsize?

While we do not loan for short term needs – such as readying a house for sale – we can establish loans for people who need additional funds to move to a new home.

For example, if the new property is better suited to meet your longer-term retirement living needs, a Household Loan can help meet any shortfall between the value of that home and the sale of your current property.

As with all loans, terms and conditions apply.

You can use your money in a way that best enhances your retirement lifestyle

How a Household Loan works

As with a standard home loan, a Household Loan is secured by registering a first mortgage over your property.

The primary difference between a standard mortgage and a Household Loan is that you don't have to make regular repayments, although you can if you choose to. If you don't make repayments, the monthly interest compounds over time and increases the balance of your loan. At the same time, you remain the owner of your home and reap the full benefit of any growth in your home's value.

What's the interest rate?

Household Capital's current interest rate is 4.95% per annum (comparison rate 4.98%)*. This is the lowest available reverse mortgage rate in Australia.

This is a variable rate; the main benefit of this is that you have flexible repayment options. Interest is calculated daily and added to the loan balance each month.

Interest is charged on the funds you receive. If you're receiving a regular income stream, interest is only charged on the amounts drawn.

A Household Loan does not require regular repayment; instead it defers principal and interest repayment to when the loan matures. With a Household Loan, you can elect to make monthly interest payments to avoid compound interest.

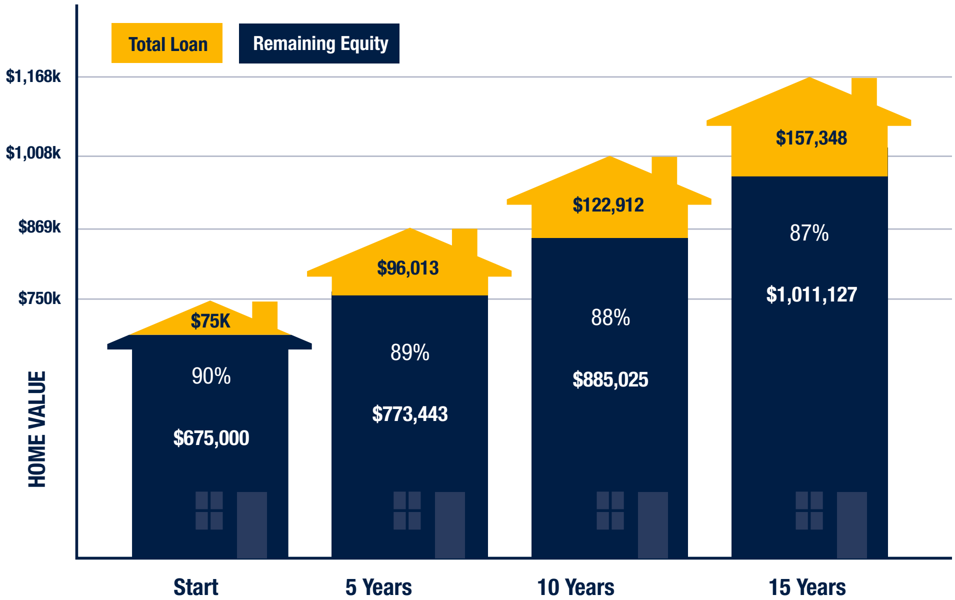
A Household Loan may be repaid, in part or full, at any time without penalty.

What is compound interest?

Compound interest means that you pay interest not only on your borrowing, but also on the interest (and any fees) charged... or, simply, you pay interest on the interest for the duration of your loan.

Over time, the amount you owe will increase, because you don't have to make regular repayments.

The following case study illustrates the impact of compounding interest on a total loan. However, as shown, any growth in the value of the home can help to offset the effect of compounding interest over time.



Case Study Jack and Sandra, both aged 67, own their own home valued at $750,000. They borrow $75,000 of their equity at an interest rate of 4.95% calculated daily, compounded monthly. After 15 years, the remaining equity is $1,011,127 and the loan value is $157,348.

Calculations based on: Household Capital variable rate of 4.95% (comparison rate of 4.98%*) (as at 5 November 2020). Home value increase of 3% average per year as per the ASIC MoneySmart reverse mortgage calculator default rate – www.moneysmart.gov.au/tools-and-resources/calculators-and-apps/reverse-mortgage-calculator

*The Comparison Rate is based on a loan of $150,000 for 25 years. WARNING: this comparison rate is true only for the example given and may not include all fees and charges. Different terms, fees or other loan amounts might result in a different comparison rate.

Are there other charges?

Description	Fee
Establishment fee (includes valuation and conveyancing)	$950 Flat Fee
Special attendance fee* (e.g. discharge of existing mortgage)	$250 per attendance plus third-party fees
Fee for provision of paper copies of documents*	$25 per request
Drawdown fees	Nil
Regular service fees (monthly, annual)	Nil
Early repayment fee	Nil
Discharge fee	Nil

** These fees aren't always charged, however Household Capital reserves the right to charge them.*

The establishment fee is paid upfront and can either be paid separately or taken from the proceeds of the loan.

Do you take a proportion of my home?

No – you retain the title and 100 percent ownership of your home. This way you benefit 100 percent from any capital growth in the value of your home.

Eligibility criteria

Am I eligible for a Household Loan?

Eligibility criteria include:

- The youngest person on your home's title must be aged 60+
- The home must be in an eligible postcode
- Household Capital must be able to hold a first mortgage over the property; if you have an existing mortgage we need to help you repay that with the funds we lend you.

What if one of us is under 60?

We are unable to lend to people under 60 years of age.

Is every house eligible for a Household Loan?

Household Loans are available for homes and most apartments in metropolitan districts and a large number of regional areas, although some regional postcodes are excluded.

What if I have an existing mortgage?

Household Capital can refinance an existing mortgage depending on how much you still owe. If the existing mortgage is larger than the amount we can lend you, we are unable to refinance it.

Where a mortgage is refinanced, the existing loan is discharged, and Household Capital takes a first mortgage over your property.

What if I already have a traditional bank reverse mortgage?

We have refinanced a number of reverse mortgages from several providers. Our interest rate is lower than those available on other reverse mortgages, which makes our Household Loan an attractive alternative. Call us to discuss.

Can I borrow against a unit in a retirement village?

Household Loans are available in some cases where the following conditions are met:

- The borrower has the title to the property (including strata title)
- The management agreement or other agreements do not place restrictions or requirements on the seller with regard to approval of sale, sale agent used, unilaterally applied fees, costs, sales commissions or other forms of limitation or cost.

Can I get a Household Loan on an investment property?

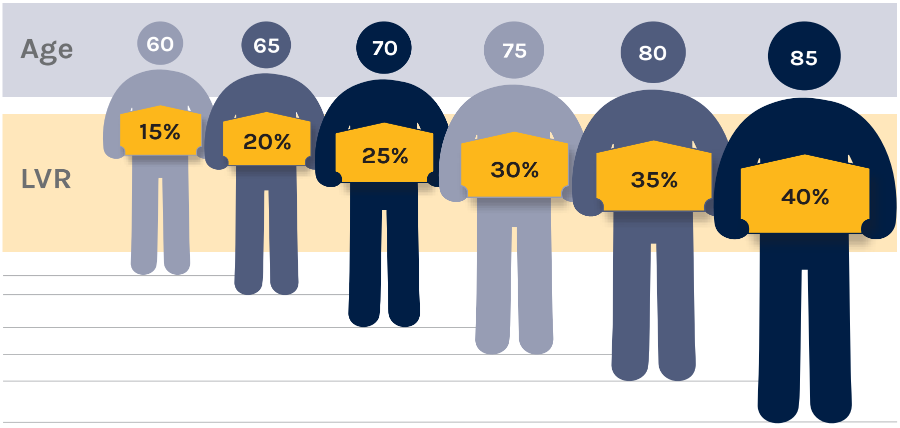
We do offer a Household Loan against investment properties in certain circumstances. Please call us on 1300 622 100 if you'd like to discuss further.

To check your eligibility for a Household Loan, go to www.householdcapital.com.au or call us on 1300 622 100.

How much can I borrow?

The amount you can borrow is dependent on on the Loan to Value ratio (LVR). For a Household Loan, the calculation takes two factors into account – the age of the youngest borrow and the value of your property.

The percentage of equity you can access is regulated by the Australian Securities and Investments Commission (ASIC). Household Capital's LVR for a house starts at 15% for those aged 60 and increases 1% per year thereafter.



Other important things to note

How do I repay a Household Loan?

A Household Loan will be repaid when you choose to sell your home, or move permanently into into a retirement village or residential aged care. It may occur when the last surviving homeowner passes away.

The loan is generally repaid from the proceeds of the future sale of your home. Repayment may also come from funds provided by family members if they do not wish to sell the family home.

You can make repayments at any time without penalty, which will reduce the amount of interest you pay.

Some borrowers choose to pay the interest each month so only the loan principal needs to be repaid at the end of the loan. No further fees apply if you choose to repay the loan early.

What are the consumer protections for a Household Loan?

Our Household Loans are governed by the National Consumer Credit Protection Act 2009; there are a range of protections for borrowers using a reverse mortgage.

1] **You remain the owner of your home and the title remains in your name.**

This gives you 100% exposure to any growth (or loss) in the value of your property, into the future.

2] **You can stay in your home as long as you want to.**
There is no default risk. You cannot be removed from your home by the lender, nor be forced to sell your home at any time against your will, as long as you have met your obligations under the loan, as specified in the terms and conditions of the loan contract.

You do have a responsibility to remain living in your home, to ensure the council rates are paid, and to keep your home insured and well maintained.

3] **You cannot end up owing us more than the house is worth**
The "no negative equity guarantee" (NNEG) clause, introduced in 2012, means you are protected by law and cannot owe more than your home is worth, irrespective of the value of the property.

How is Household Capital different to other lenders?

A Household Loan provides flexibility and choice to improve your home, lifestyle and wellbeing while you continue to live in your own home. We're different to other lenders because:

- We offer Australia's lowest available reverse mortgage interest rate
- Our focus is on providing long-term, responsible retirement funding
- We provide you with flexibility and choice
- Our team provides personalised service

Whether you're looking for a boost to your monthly income, a lump sum payment – or both – Household Capital can help you improve your retirement funding and **Live Well At Home.**™

There are four criteria that set Household Capital apart from the rest:

Responsible lending

Whether you need to refinance an existing mortgage, require additional income or a lump sum payment, we ensure you access your home equity responsibly and sustainably to meet your long term retirement funding needs.

Personal approach

Your circumstances are unique. We want you to discuss your options openly with us, your family and your adviser to achieve the best possible outcome for your retirement funding now and in the future.

Flexibility

We provide total flexibility – you can choose to make no interest payments, make interest-only payments or repay your loan at any time. We also provide a drawdown facility, enabling you to access regular fortnightly or monthly payments.

Competitive rates

We offer the lowest comparable interest rate, transparent fees and no exit or other penalties.

Now your home can be both the best place to live and the right way to fund your retirement.

How do I apply?

The first step is to book a discovery call with one of our retirement specialists. You can click this link or call us on 1300 622 100.

www.householdcapital.com.au

Household® Capital