



FUNDING YOUR RETIREMENT LIFESTYLE

For those of us who are approaching retirement or have parents who are, the number of decisions that need to be considered can be a little overwhelming. While some of us have well laid plans, for the majority we need to consider what life looks like when we retire and no longer have an active income from employment.

Post retirement our lifestyle will be determined by our reliance on passive income from investments or government welfare.

The decision making will be personal and influenced by our individual circumstances including age, health and emotional desires.

However, our **financial position** is likely to be the most influential consideration when determining our lifestyle moving forward.

With most Australians having their wealth held within the family home, retirement may require them to sell up and move into alternate accommodation.

There are many types of accommodation that specifically cater for retirees including:

- **Over 55 housing** - generally in the form of townhouse or apartment accommodation

- **Retirement villages** – one of the most common forms of retirement living that can take on many forms of accommodation including:
 1. smaller freestanding homes supported by a common area that facilitates community engagement
 2. independent living apartments supported by common area facilities
 3. integrated villages that include independent living apartments together with assisted living apartments and aged care facilities that support the aging process
- **Aged care/nursing homes** – that provide support later in life when our dependence on health care increases

With each type of accommodation there are also different tenure and ownership models.

Some accommodation types allow both rental and purchase options, while other types only allow one or the other. For example nursing homes are only provided on a rental/fee for service model.

For those who are able to purchase, they may choose a different tenure basis including licence, leasehold or freehold purchase and have various funding models.



However, what happens if:

- you are overwhelmed with the options available and unsure what the future may hold?
- your family home still caters for your current lifestyle?
- you are emotionally connected to your family home?
- you require additional cashflow to support your lifestyle?
- You may then have to consider tapping into your home equity while continuing to live in your family home.

A reverse mortgage (or home equity release) may allow you to achieve this objective.

A home equity release can let you access some of the equity in your home through regular monthly payments (or a lump sum) to yourself from the lender. These payments may then be utilised to fund your ongoing lifestyle **while you remain in the comfort of your home.**

A home equity release will:

not require you to make repayments, instead interest will be charged on top of the loan,

generally only require repayment when you either move out, sell your home or pass away, and

allow you to continue to benefit from potential capital gains and increased equity in your family home's value.

Some people (and their children) worry about the potential loss of the family home. While, as with any loan, this is a possibility, lenders will only allow a small percent of the home equity to be released to minimise the chances of this occurring.

For example, at age 60 you can usually borrow between 15% and 20% of the value of your home, with increases of 1% for each year you are over 60.

There are many pros and cons of using an equity release that need to be considered.

As everyone's circumstances are unique, it is important to seek a financial expert's advice when considering this option to ensure an informed decision is made.

As your finance specialist, we can assist you in navigating the various scenarios and together we can help YOU make the right retirement decisions to suit your situation and preferred retirement lifestyle.



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