Raising a lump sum over 55

When raising a capital sum over the age of 55, you generally have four main funding options available, based on your circumstances and preferences. Here we summarise the key considerations for taking out an Over 55s Unsecured Loan, versus the main other options:

	Pros	Cons
1. Savings	No charges or fees to use money, no interest to pay	Opportunity cost of interest gained on savings, loss to estate of lump value + forgone interest/investment growth May trigger a tax charge or early repayment fees
2. Pension	Tax free 25%, if not previously used	Potential for a large tax bill (plus cons of using pension savings as reduces future income) , loss to estate of lump value + forgone interest/investment growth
3. Equity Release	**Roll up**: No payments or loss of income **Interest only**: Fixed level of debt against estate	Roll up: Debt constantly increasing against estate. (Some lenders offer a max loan repayment of 10% p.a. however the interest debt will continue to grow) Interest only: Payments/loss of income for life, reduced estate
4. Over 55s Unsecured Loan offered by free2	No effect on value of estate, fixed term	Interest on loan + monthly repayments reduces income for the term of the loan

Explore these option in more detail

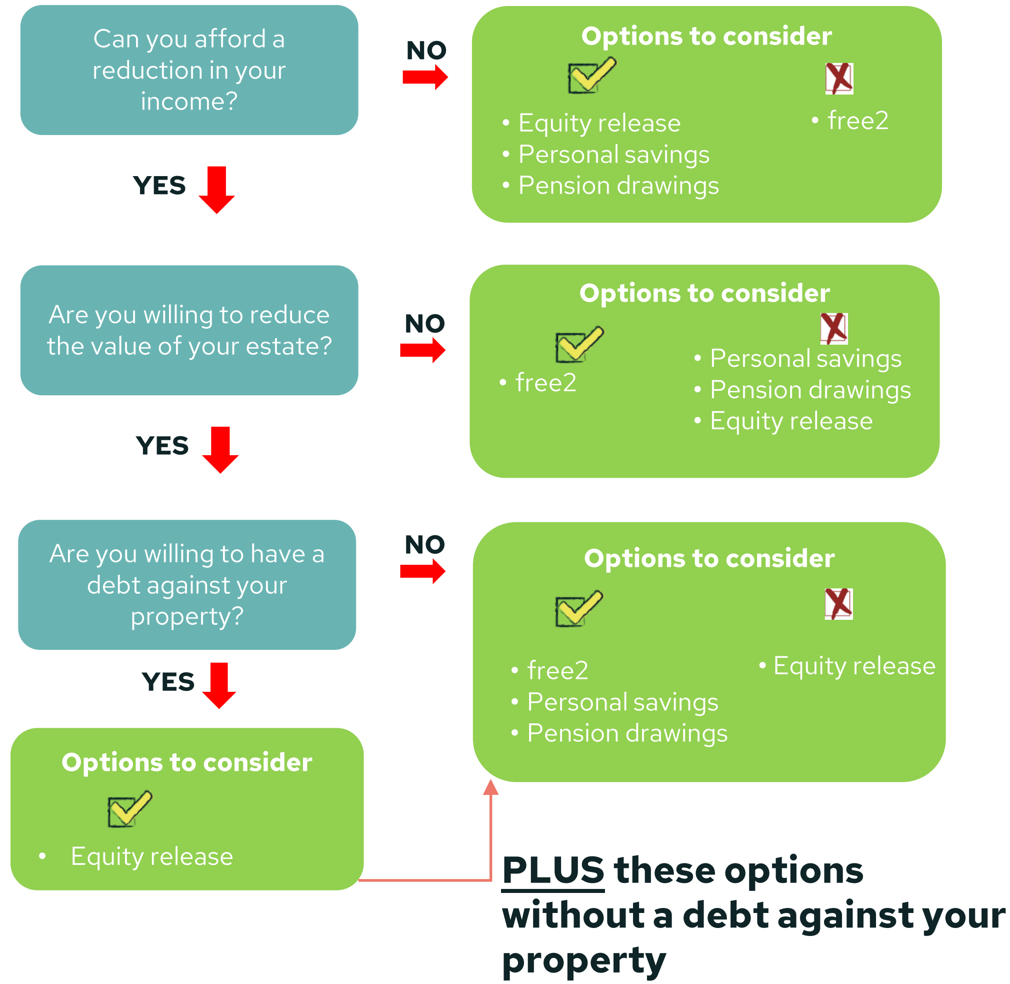
Or view the funding options decision tree

A more detailed look at the funding options

	Borrowing using an Over 55s Unsecured Loan	Borrow using your home as security	Pension option	Using your savings
Description	• Unsecured loans for UK homeowners [with or without a mortgage] • You must be 55 or over with excess guaranteed pension income • Loans from £5,000 to £150,000, subject to status • Terms from 5 to 20 years – You must pay off the loan before your 75th birthday • You cannot borrow for business purposes	Equity Release or Lifetime Mortgages allow you to borrow against your property without selling up. **They are mortgage-type loans secured on your home.** **There will be a reduction in the value of your estate depending on which type of Equity Release mortgage you choose.**	If you are receiving a mixture of guaranteed pensions - an annuity or company pension - and a flexible drawdown pension, then you can only access money from your flexible pension pot. Since 2015 and the introduction of pension freedoms, you can withdraw as much or as little as you like from your flexible pension each year - subject to tax.	**There are many ways to save** - You may have cash in the bank, a term deposit, money invested in an ISA, money invested in a general investment account, or money in flexible pension fund. Most people keep their savings as an **emergency fund**. If you spend your "rainy day" money, you'll be in trouble if the roof starts leaking or you have some other emergency.
Tell me more	• **Not secured against your property.** • **The balance of the loan will be written off should you die during the term of the loan (Terms & Conditions apply).** • **There is a reduction in your disposable income over the term of the loan.** • Once the loan is repaid, you'll have access to the amount of the monthly repayments. • Your estate is not reduced by taking out the Loan.	There are two main types: • **Roll up**; no monthly repayments. Instead the interest is added to the loan and capital plus rolled up interest is paid off when you die or go into long-term care, when the property is finally sold. • **Interest only**; monthly interest is charged and paid, and the loan is repaid by selling the property when you die or if you go into long-term care. • **Early repayment fees** on Equity Release can be prohibitively expensive. • **If you wish to move** the reduced amount of equity may limit your ability to fulfill your plans. • **Interest rates charged** on equity release loans are often higher than those of standard mortgages. • Lenders will usually lend **only up to 50% of the current value** of your property. • In practice, **Equity Release** often limits your ability to pass your property on to	• With a flexible pension, you can take 25% of the total pot as tax-free cash, but **your marginal tax rate will apply to any other pension money you withdraw** over this amount. • By taking out money from your flexible pension, you **no longer have the opportunity to make tax-advantaged gains** on that portion of your pension pot. • Your estate will be reduced by the amount withdrawn, any tax payable and the future growth 'lost' on the sum taken out. • If you only have an annuity, or final salary scheme, you do not have the ability to take a lump sum from it.	• If you spend all your savings, your credit worthiness and access to other forms of borrowing might be affected, potentially reducing your options for future financing. • If your savings are locked up for a fixed term, you may not be able to access them in a hurry, or you may be forced to pay penalty fees when you do. • Its often difficult to replace spent savings after you've stopped work. • Cashing in investments may have tax implications, incur additional charges or the timing goes against you due to market fluctuations. • Your estate will be reduced by the amount withdrawn, any tax payable and the future growth 'lost' on the sum taken out.

Funding options decision tree

Follow our simple decision tree to help you consider which funding option could suit your own particular needs



Once you have considered the available options in the table, the costs of each may form part of your decision making. The next page summarises the potential costs of each option.

Compare the costs of each option

Lump sum £50k Customer age 60	Cost*	Cost to estate*	Term	Rate Used
1. Savings	£13,486	£63,486	Life (24 years)	2%
2. Pension	£79,500	£129,500	Life (24 years)	2%
3. ER Roll up	£47,007	£97,007	Life (24 years)	2.8%
4. ER Interest only	£33,600	£50,000	Life (24 years)	2.8%
5. The Over 55s Unsecured Loan offered by free2	£22,480	£0	10 Years	7.9%

***Please read the assumptions behind these numbers and important information about free2**

Find out how much you could borrow using our loan calculator: www.free2.com/calculator

Important information

Option	How cost has been calculated	How cost to the estate has been calculated
1. Savings	**Equals the 'lost growth'** on the amount withdrawn from savings based on the rate in the table.	Equals the **amount of savings spent plus the 'lost growth',** as the estate would have benefited from both.
2. Pension	The **lump sum required has been grossed up to allow for the tax payable**, taking into account existing income. This is then treated as the **pension withdrawal. The 'lost growth' is calculated on this amount,** using the rate in the table. **The total cost is the lost growth plus the tax.**	This is the **gross amount of the pensions lump sum plus the 'lost growth'**, as the estate would have benefited from both.
3. ER Roll up	The cost equals the **amount of interest on the mortgage compounded over the term** based on the assumed mortgage rate used in the table.	This is **the original mortgage loan plus all rolled up interest, which has to be repaid in the future.**
4. ER Interest only	The cost equals the **total amount of interest on the mortgage payable over the term** based on the assumed mortgage rate used in the table.	This is **the original mortgage loan** which has to be repaid in the future.
5. The Over 55s Unsecured Loan offered by free2	The cost equals the **total amount of interest on the loan payable over the term** based on the assumed rate used in the table.	**There is no cost to the estate** as free2 will write off any unpaid loan if the borrower dies before the end of the loan period.

Please note:

- free2 Limited (free2) is a credit broker, not a lender and only offers loans from RS Consumer Finance Limited.
- free2 is an Appointed Representative of RS Consumer Finance Limited, which is authorised and regulated by the Financial Conduct Authority (the FCA).
- APR is calculated uniquely for each successful applicant to ensure everyone gets the best possible rate.
- You will need to complete an online application form via the free2 website.
- The above scenario is for illustrative purposes only, and all APRs displayed are indicative projections – the final rate offered after application may vary based on your circumstances.
- If you are unsure about your options you should consider seeking the advice of an Independent Financial Adviser.