

# Have you forgotten part of your retirement strategy?

By Mark Mackin, Mortgage Adviser

**During a recent meeting with potential new Lifetime Mortgage clients, they said something which made me think. They said: "We were always told you should pay off your mortgage before you retire. So, it seems strange that we are now talking about taking a new mortgage now we have retired."**

We went on to have a discussion about this and generally how it was actually a very important part of their financial planning. In the 'olden' days, many people had company pension schemes that gave them a percentage of their final salary. In fact, work for 40 years and you could potentially retire on two thirds of the income you enjoyed when working. This was regarded as providing a comfortable retirement because the one third you lost (net) previously paid for your mortgage and general costs around working. So, paying off your mortgage was a specific part of your retirement planning.

The problem is that not everyone was in a final salary company pension, and most of those who weren't are not retiring on two thirds of their final salary. I have no statistics to share, but my guess is that many people retire on far, far less. Some people will tell you they haven't done any retirement planning, or at least very little. But no-one has ever told me that as a specific part of their retirement planning they paid off their mortgage.

But why not? After all, owning your home and having no monthly payments certainly helps



when it comes to retiring on less than you once earned. Yes, we all know that clearing a large debt is a probably good idea, and so too is having lower outgoings by not having a mortgage to pay for. But why not think about it all as having been part of your retirement strategy? Because if they did, I believe more people would be inclined to think of their house as a financial asset and part of their overall investment portfolio – and very often the largest part of their investment portfolio!

Then, when they thought about ways to supplement income in retirement and there isn't a lot of savings to draw upon or an investment property to sell, perhaps more people would be inclined to consider how their

house could help. More specifically, how the potentially hundreds of thousands of pounds of equity that is locked up in a property could help provide a more comfortable retirement.

So, coming back to our thought at the beginning, the reason those clients are considering taking a new mortgage in their 70s is because they want to improve their standard of living in retirement. And it's because they followed some basic financial planning rules about clearing off their previous mortgage that they now have a significant amount of equity that can be accessed through a Lifetime Mortgage. So perhaps you too did a little more retirement planning than you thought?



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