Cabarita Finance

A PLAIN ENGLISH GUIDE

# Reverse mortgages, made simple

Turn some of the value of your home into money, without selling it and without making regular repayments.

## What is a reverse mortgage?

A loan that uses your home as security. You keep living there, and you keep owning it.

**No regular repayments**

Usually none while you live in your home.

**Paid back later**

When your home is sold, usually after you move into care or pass away.

**Higher interest**

Rates are usually higher than a normal home loan.

## How do I get the money?

**A lump sum:** one amount, all at once

**A line of credit:** draw on it when you need

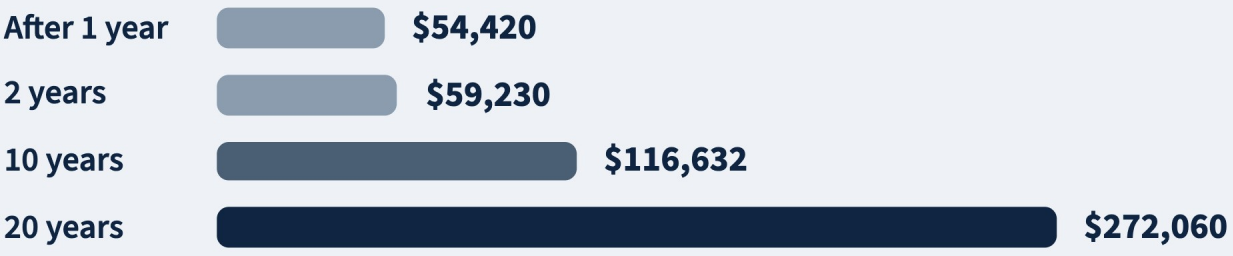
**Regular payments:** like an extra income

**A mix** of the above

THE MOST IMPORTANT THING TO KNOW

## Your loan grows over time

Interest is added each month, and then you pay interest on that interest. If you borrow **$50,000**, here's what you'd owe:




Example uses a fixed rate of 8.5% a year, compounded monthly, with no fees and no repayments made.

Over the page: how much of your home you'll keep, and questions to ask

# How much of my home will I still own?

Say your home is worth **$450,000** and you borrow **$50,000**. After 20 years you'd owe $272,060. What's left depends on your home's value:

**If your home's value stays the same**

## $177,940

left for you

**If it grows 3% a year**

## $540,690

left for you (home worth $812,750)

### You'll never owe more than your home is worth

By law, lenders must give you a "no negative equity guarantee". There are a few exceptions, so ask your lender to explain them.

# Questions to ask yourself first

1. **Will I need money later?** Using too much now leaves less for medical costs, aged care, repairs or a new car.
2. **Does anyone live with me?** They may need to move out when the loan is repaid. Some loans protect their right to stay.
3. **Do I want to leave my home to family?** There will be less to pass on, so talk it over with them.
4. **Will it affect my pension?** It might. Call Centrelink on **132 300** to check.
5. **Can I pay it off early?** Usually yes, and extra repayments slow how fast the loan grows. Variable rate loans usually have no break fee, but ending a **fixed rate** loan early can cost thousands. Check your contract first.

## Other options

Downsizing, help from family, government benefits like the Home Equity Access Scheme, using savings or selling other assets, or a home reversion scheme.

## Free help

**Moneysmart:** moneysmart.gov.au or 1300 300 630, with a free reverse mortgage calculator.
**Centrelink:** 132 300

## Let's have a chat, no pressure

Bring your family along if you like. We'll talk through whether it makes sense for you.

**Logan Ross**
0401 316 149
logan@cabaritafinance.com.au

General information only, based on the Australian Government's Reverse Mortgage Information Statement. It doesn't take your personal situation into account. Cabarita Strategy Pty Ltd ABN 55 696 197 556 trading as Cabarita Finance, Credit Representative 579321 of Australian Finance Group Ltd, Australian Credit Licence 389087.