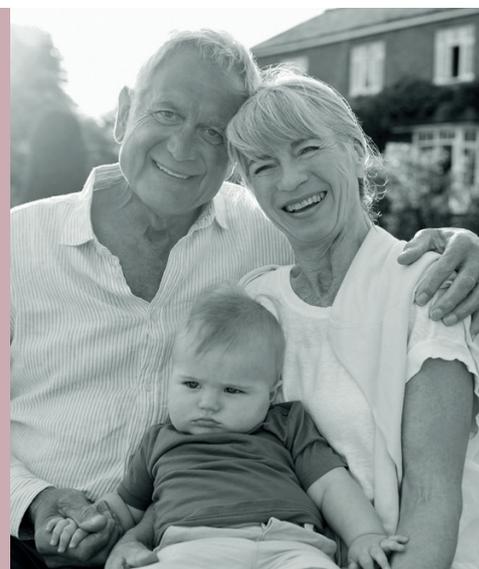


THE
FAMILY
BUILDING
SOCIETY

“When I looked at the website I thought crikey, this is going to tick some boxes”



**PAUL (71) AND JUDY (72)
THOMPSON**
RETIRED

Paul and Judy wanted to help their son and daughter-in-law, Mike and Claire, move into a new home.

They'd already helped Mike and Claire get their feet on the ladder when they bought their first property. Four busy years later, with the arrival of a new baby as well as a three-year old, their small flat was bursting at the seams. They were desperate to move into a bigger property but just couldn't afford anything in the area. Despite their savings and the equity in the flat, buying a house was a major step up in cost, and with Claire on maternity leave, plus the exorbitant stamp duty land tax and legal fees, they just couldn't afford to move.

“It's not just the deposit; it's finding the money for the legal costs and the stamp duty which is quite a chunk.”

Paul and Judy were keen to help and although very financially comfortable in retirement, they had recently bought their own house and didn't have enough savings to gift Mike and Claire what they needed. Nor did they want to draw down on their pensions as they would've had to pay a large amount in income tax. Paul was wary of equity release and the couple decided it wasn't a route they wanted to go down. So, out of ideas, they sought advice from their financial adviser who put them in touch with us.

“They wouldn't have been able to move without it and that was the clincher really. The apartment was very small for a three year old and a baby... and they just couldn't find anything without some help”

Paul was very surprised they were able to get a mortgage in retirement. We were able to offer them a 15 year interest-only mortgage, with the option of over-paying by 10% each year. As the interest is paid off each month, it means that unlike equity release, no interest will roll up and so they will never owe more than they borrowed.

“What I really liked is that it's a 15 year mortgage but we can pay 10% off for the 10 years and then we've repaid it by then. Or it can run for the 15 years and then we'd find the capital at that point. I like the idea of that flexibility in terms of the part repayments from year one.”

Perhaps because of his background as a chartered accountant, Paul was already aware of potential sticking points when it comes to gifting. He has always discussed money with his sons and they talk freely of their financial circumstances. He has made his eldest son, Charlie, aware of the gift they've made to Mike and will make it legal by amending the Will so that it's taken into account in the split of the estate, just as they did when they previously gifted both Mike and Charlie money towards their first homes.

“Once I was allocated Franki, it seemed to move very quickly she was super.”

He was also well prepared for the questions our mortgage adviser, Franki, put to him when discussing the repayment of their mortgage. Paul and Judy had done their homework and knew how they were going to pay the interest, and had thought about how affordable it would be should the interest rate increase. They also considered how much they might need for the future, such as the cost of going into a care home. Even though Paul and Judy have legally (and happily) gifted the money, Mike and Claire are keen to repay it as and when they can. As they're unable to commit to a payment plan with Claire on maternity leave, Paul and Judy have a plan in place for repaying the capital at the end of the term so that there are no nasty surprises, or awkward conversations, down the line.

If you're thinking about gifting or lending money to help your children buy a home, have a look at our Bank of Mum and Dad Conversation Guide to help guide your discussions familybuildingsociety.co.uk/bomad-conversation

YOUR MORTGAGE WILL BE SECURED ON YOUR HOME

YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE

Family Building Society
Ebbisham House, 30 Church Street,
Epsom, Surrey, KT17 4NL

FAMILYBUILDINGSOCIETY.CO.UK

Family Building Society is a trading name of National Counties Building Society which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.