

# Access to home equity made easy

Household Capital now provides two options for clients



Household<sup>®</sup>  
Capital



Over the coming years, 5.5 million people born between 1946 and 1964 will retire. For many of those, compulsory super started too late into their working lives to provide meaningful retirement savings. While your clients may have super or other investments, volatile markets are eating into capital and retirement income streams are straining under cost of living pressures.

In this environment, how can your clients preserve their invested assets but increase their retirement income? And what about those who need capital but don't want to deplete their income producing assets?



## Home equity retirement funding

As is the case for most retired Australians, a large proportion of your clients' wealth will be tied up in their family home. Unlocking home equity to access those savings can truly transform retirement.

Until recently, this wealth has been largely inaccessible to fund retirement needs. Given that most retirees wish to stay in their own home as they age, this untapped savings pool is a valuable resource that can be used to provide improved retirement funding. It can cover important costs such as age-appropriate in-home care, increased income to manage the spiralling cost of living or home renovations to allow retirees to live safely and comfortably at home.

Household Capital launched in 2019 with a mission to help retired Australians 'Live Well At Home' by providing responsible long-term access to home equity. It's our goal to improve your clients' retirement lifestyle: by enhancing retirement income, providing access to capital and improving retirement housing.

In 2022, Household Capital acquired Pension Boost, an innovative home equity fintech that helps its customers access the federal government's Home Equity Access Scheme (HEAS).

This means we can now provide your clients with even greater flexibility and choice, able to utilise the product that best meets their needs. Our approach aims to provide your clients with the best of both worlds - to continue living in their family home with the confidence to enjoy the retirement lifestyle they deserve.



# The Home Equity Access Scheme

Formerly known as the Pension Loans Scheme, the federal government's Home Equity Access Scheme (HEAS) provides support to Australian homeowners of Age Pension age. This can be paid as a fortnightly income stream or a lump sum payment.

The HEAS is a reverse mortgage offered by Centrelink and is available to:

- Clients receiving the full Age Pension
- Clients receiving a part Age Pension
- Clients who are self-funded retirees

The interest rate is set by the federal government at a lower rate than commercial lenders but has lower limits on how much home equity can be accessed.

This can make it a good option for clients who need a modest amount of additional income or a small capital sum to cover minor expenses.

The amount that can be accessed using the HEAS is calculated as a percentage of the Age Pension rate; the maximum available is the prevailing Age Pension amount plus 50%.

Figure one:

## How HEAS works\*

|                          | Pension                  | HEAS Addition            | Total available                           |
|--------------------------|--------------------------|--------------------------|---|
| Full Age Pension: Single | \$1,064 pf (\$27,644 pa) | \$532 pf (\$13,832 pa)   | <b>Single</b><br>\$1,596 pf (\$41,496 pa) |
| Full Age Pension: Couple | \$1,604 pf (\$41,704 pa) | \$802 pf (\$20,852 pa)   |   |
| Part Age Pension: Single | \$750 pf (\$19,500 pa)   | \$846 pf (\$21,996 pa)   | <b>Couple</b><br>\$2,406 pf (\$62,556 pa) |
| Part Age Pension: Couple | \$1,200 pf (\$31,200 pa) | \$1,206 pf (\$31,356 pa) |   |
| Self-funded retiree      | 0                        | 150% Age Pension rate    |   |

\* Based on Age Pension rates effective 20 March 2023; nominal payment selected for part Age Pension for illustrative purposes



## HEAS eligibility requirements

To be eligible for the HEAS, your client must meet the following eligibility criteria:

- **Meet pension age criteria:** at least one of the applicants must be of Age Pension age (currently 66.5 years, increasing to 67 years from 1 July 2023).
- **Be an Australian resident:** your client needs to have been an Australian resident for at least 10 years in total, and there must not have been a break in their residency for at least five of those years.
- **Be a homeowner:** your client must own real estate in Australia they can use as security for the loan.
- **Have a good credit history:** your client, their partner, or any co-owner of the property, cannot be bankrupt or subject to a personal insolvency agreement.
- **Insure their home:** your client must have adequate and appropriate insurance that covers the real estate offered as security (insurance coverage to be equivalent to at least 90% of the value of the buildings on the property offered as security is deemed adequate).

## Benefits of HEAS

The great benefit of HEAS is that it allows homeowners to top up their pension and remain living in their own home.

- **Low rate:** the interest rate is subsidised by the federal government and is currently 3.95%.
- **Income boost:** provides a regular fortnightly boost to clients' income.
- **Lump sum available:** clients can take payments as two lump sum amounts instead as a fortnightly income stream.
- **Flexibility:** can change the amount received through the HEAS (to a lower amount only).
- **Widely available:** can be secured by a property anywhere in Australia.
- **Portable:** can transfer HEAS loan to new/other property (for example, if downsizing).
- **No regular repayments:** the loan doesn't have to be repaid until your client sells or leaves their home.
- **Protections:** subject to no negative equity guarantee – the loan cannot exceed the value of the home.

## How can Household Capital help?

### *Introducing Pension Boost*

Launched in 2019 and acquired by Household Capital in 2022, Pension Boost is a HEAS specialist established to assist everyday Australian seniors improve their retirement funding by accessing the government scheme. So far, Pension Boost has helped about one third of retirees that have applied for the HEAS.

The Pension Boost service aims to take the hassle out of dealing with Centrelink or DVA for your clients. The team can work with your clients to assist them understand what the scheme is, how it works and guide them through the application process.



## Household Loan

For those clients who require greater flexibility and choice with respect to the amount of income or capital they need, a Household Loan may be a more appropriate option.

Although many of your clients may have substantial investments, drawing down on them in volatile markets isn't optimal. Home equity is a viable alternative to drawing further on super or other savings.

For homeowners, a Household Loan can be used to:

- **Boost income:** increased retirement income to deal with cost of living pressures or improve lifestyle.
- **Switch to a more suitable type of home loan:** refinancing an existing mortgage or other debts in retirement.
- **Plan for the unexpected:** set up a contingency fund your clients can access when needed.
- **Help the family:** Your clients can be the 'bank of mum and dad' without depleting their retirement savings.
- **Invest in the home:** renovate or repair the home so it's safe and comfortable for the future.
- **Replace old cars:** stay safe and save on fuel with a modern vehicle.
- **Pay for health and care costs:** Use the home to pay for medical costs, in-home care or the transition to residential aged care.



## Comparing products

Although both HEAS and a Household Loan help retirees access their home equity, there are some significant differences. Household Capital can help you and your clients make the right choice with our personalised consultation service.

| Household Loan   | HEAS   |
|--|--|
| <p><b>What is it?</b></p> <p>A flexible way to access home equity as a capital sum, an income stream, or a mix of the two. It aims to provide retirees with the best of both worlds – to continue living in their family home with the retirement funding and confidence to enjoy the lifestyle they deserve</p>   | <p>An Australian government loan that is a payment from Centrelink rather than a credit product. It allows limited access to home equity, either as an income stream or a lump sum payment.</p>  |
| <p><b>How can it be used?</b></p> <ul style="list-style-type: none"> <li>- Maintain or enhance retirement lifestyle</li> <li>- Increase retirement cash flow with a regular fortnightly or monthly income stream</li> <li>- Repay any bank mortgage or other debts</li> <li>- Home maintenance and renovations</li> <li>- Buy a new car</li> <li>- Be the ‘bank of mum and dad’ for children and grandchildren</li> <li>- Pay for care and medical expenses</li> <li>- Pay for in-home or residential aged care</li> </ul> | <ul style="list-style-type: none"> <li>- Improve your clients’ retirement income with a regular fortnightly payment</li> <li>- Improve your clients’ retirement income with a regular fortnightly payment</li> <li>- Home maintenance</li> <li>- Consolidate and pay minor debts</li> <li>- Pay for care and medical expenses</li> </ul> |

Comparing products continued...

| Household Loan   | HEAS  |
|--|---|
| <b>What are the key benefits?</b>  |   |
| <ul style="list-style-type: none"><li>- Clients maintain 100% ownership of their home</li><li>- Guaranteed lifetime occupancy - no default risk*</li><li>- No Negative Equity Guarantee - your client can never owe more than the value of their home</li><li>- No regular payments required until your client moves or sells their home</li><li>- Flexible access to manage clients' needs now and in the future</li></ul>                                | <ul style="list-style-type: none"><li>- Clients maintain 100% ownership of their home</li><li>- No Negative Equity Guarantee - your client can never owe more than the value of their home</li><li>- No regular payments required until your client moves or sells their home</li><li>- Low interest rate</li></ul>   |
| <b>Client suitability</b>  |   |
| <ul style="list-style-type: none"><li>- Client with needs greater than \$50,000</li><li>- Client lives in a Household Capital eligible post code</li><li>- Client has an existing mortgage and needs less than available lending limit</li><li>- Client wants flexible access to home equity to improve their retirement funding</li></ul>   | <ul style="list-style-type: none"><li>- Requires a modest regular income or lump sum</li><li>- Client lives in post code outside Household Capital eligible area</li></ul>  |
| <b>Key details</b>   |   |
| <ul style="list-style-type: none"><li>- Minimum loan amount: \$50,000</li><li>- Maximum loan amount: \$2 million</li><li>- Available amount: a percentage of your clients' home value and based on their age</li><li>- Interest rate: a variable rate subject to market rates (check current rates at householdcapital.com.au)</li><li>- Minimum property value: \$600,000</li><li>- Available locations: All metro and most regional locations.</li></ul> | <ul style="list-style-type: none"><li>- No minimum loan amount</li><li>- Maximum loan amount: up to 1.5 times the full Age Pension rate</li><li>- Available amount: with reference to the Age Pension rate</li><li>- Interest rate: a variable rate set by the government</li><li>- Minimum property value: none</li><li>- Available locations: Australia-wide.</li></ul> |

\* subject to your client meeting the terms of their contract, including maintaining their home and paying rates and insurance





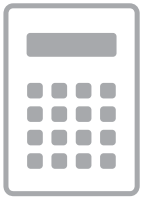
## Benefits of using home equity

Through responsible access to home equity, your clients can receive multiple benefits:

- 1. Access to savings:** where the majority of lifetime savings are in the home, these are now available to improve retirement funding.
- 2. Improved retirement funding:** in situations where retirement savings are inadequate or have been consumed, home equity can improve retirement funding.
- 3. More reliable retirement income:** for some retirees, income may be volatile relative to the performance of superannuation or other investments. Home equity can smooth income and capital supply.
- 4. Meet large capital needs:** retirees can use home equity to meet large capital needs, enabling them to retain their income producing assets.
- 5. Sequencing risk management:** responsible, long-term access to home equity adds a second, independent, largely uncorrelated source of income should super and other invested assets decline periodically they pay by the same amount.

## How can we help?

We complement your business with a simple process.



You can use our [calculator](#) to run a quick assessment or complete a more detailed

projection to support an initial client conversation.

Alternatively, we can liaise directly with your clients. Once your clients have indicated an interest in proceeding, we handle the rest. Simply complete our [referral form](#). Your client receives personalised service from our experienced team and you receive updates at key milestones throughout the process.

Home equity is an untapped savings pool that can provide your clients with income and capital

For more information call our Adviser Specialists

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**Important information.** Applications for credit are subject to eligibility and lending criteria. Fees and charges are payable and terms and conditions apply (available upon request). Household Capital Pty Limited is a credit representative (512757) of Mortgage Direct Pty Limited ACN 075 721 434, Australian Credit Licence 391876. HOUSEHOLD CAPITAL™, the Star Device and Household Capital and the Star Device are trademarks of Household Capital Pty Ltd. This document is issued on 5 May 2023. ©2023 Household Capital Pty Limited.



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