

HARRIS
LIPMAN

WEALTH MANAGEMENT



Repaying the mortgage

The payments on an interest-only mortgage only cover the interest due on your loan so, at the end of the mortgage term, you will still owe the original capital. You therefore need to find an alternative way to pay off the loan.

There are a number of options. First, and most obvious, is to sell the house and use the proceeds to repay the loan. This may work with buy-to-let or holiday property, but is more difficult with your own home. So, you could use a lump sum from elsewhere, such as an inheritance, but again, you need to be certain that this money will come through in time or you may still have to sell.

The most common option is therefore an investment product - and the ideal choice is cheap, tax efficient and relatively stable over the long-term. Endowment policies have been the most common, now controversial repayment option as they tied together with mortgages rather nicely - and also came with built in life insurance. However, many proved expensive, lacked transparency and ultimately performed badly. They have therefore been usurped by more flexible options.

ISA or unit trust related mortgages are now amongst the most common. ISAs in particular are tax efficient and both are relatively transparent. The ISA option has an annual investment limit but both are flexible and investors have a wide range of investment choices.

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