

Exit strategies: borrowing over 50

As a borrower over the age of 50, you may need to provide more information about your future financial position before you borrow. This is called an exit strategy. Lenders differ in terms of the age at which they require an exit strategy from a borrower and the exact information they will need.

What is an exit strategy?

An exit strategy is a plan for what will happen with your loan when you retire. If your loan term extends past typical retirement age (around 70 years old), a lender will usually need to see evidence that you will be able to afford the repayments. For borrowers who take out an owner-occupied home loan, selling the house is not seen as a valid exit strategy.

Your Smartline Adviser will assist you in putting together an exit strategy depending on the loan you need, your financial circumstances and the exact requirements of your lender. The exit strategy will vary according to your age, asset position, income and retirement plans, so you will typically need to provide all these details to your lender.

Common exit strategies

- The sale of assets such as an investment property or shares.
- Lump sum repayments from superannuation.
- Ongoing income from superannuation or investments (such as property, managed funds or shares).
- Downsizing to a smaller home when you reach retirement (not accepted by all lenders).
- Likely inheritance (not accepted by all lenders).

Case-by-case

- Since everyone's situation is different, the need for an exit strategy is usually assessed on a case-by-case basis by the lender. For example, if you plan to work past retirement age, this will affect your application.
- All lenders are different: some work to an age of over 55 years at the time of borrowing and an age of 75 years as your retirement age.
- If no exit strategy can be shown, the lender may require the loan term to be reduced to ensure your loan is paid off before you reach retirement age.
- In some cases, you may also be required to seek independent legal or financial advice.

Get smart advice

Your Smartline Adviser can advise you which lenders will give you a loan based on your circumstances.

They will also assist you to put together an exit strategy that is acceptable to the lender you have chosen.

Remember:

Selling your own home is typically not an acceptable exit strategy.

The most reliable strategies are usually selling assets (such as an investment property or shares), lump sum payments from superannuation or ongoing income from superannuation, shares or investment properties.

Need help?

This sheet provides general information only and is correct as at the document date (28/11/2018).

Everyone's circumstances are unique. Please speak with your Smartline Adviser to get personalised advice.