Understanding Key Risks

Customers need to seek financial advice

Customers will need to seek financial advice to determine if this product is suitable for them. They will also need to have independent legal advice.

The size of the loan increases over time

The money released from the property will come from a mortgage secured against the property.

Neither the loan nor the interest will typically need to be repaid in the customer's lifetime – but because of this, the amount their beneficiaries will have to pay will increase year on year. As a result the beneficiaries may not be able to inherit the property or get its full sale value. However, they'll never have to pay back any more than what the property can be sold for at the time.

There are charges for repaying the loan early

If the mortgage is repaid early, in certain circumstances customers may be liable to pay an early repayment charge.

For the Later-life mortgage, a lifetime mortgage, this is 5% of the loan amount for the first five years and 3% for the next five. Thereafter there is no charge.

For the Second Home Mortgage, a lifetime mortgage, and the Property Portfolio Pro this is 10% of the loan amount for the first 5 years, 5% for the next 5 years and 3% for years 11 to 16.

Future borrowing not guaranteed

Whilst we will always endeavour to help where we can and consider future borrowings for customers we can't guarantee availability and terms of future loans.

It is important customers keep their will up to date

This is particularly relevant after any significant changes to financial affairs. We recommend that they seek legal advice to ensure that the will is drafted in a way that reflects their intentions.

Tax rules can change

The Family Wealth Plan, as with all or products, are based on current tax legislation. The tax rules could change in the future, and the value of tax reliefs will depend on the customer's personal circumstances and prevailing tax legislation. Octopus does not guarantee the tax benefits set out in any illustration.

It could affect benefits eligibility

The cash flow customers receive from the trust could disqualify them from some means tested benefits. You should check whether they are currently claiming all benefits before taking this option, and how they might be affected.

If an Estate Transfer Trust is established, it cannot typically be altered

Once the trust is set up, it is not possible to change how much or how often it pays out, without unwinding the trust which can be expensive.

There are risks with investing

For the Estate Transfer Trust, the trustees may wish to invest the money that's placed into the trust with the aim of generating a return.

The trust will only be able to make the intended payments if the underlying investments perform as they should; for this reason, trustees should choose the underlying investments wisely.