Bridging the generational wealth gap with lifetime mortgages

by Chris Smyth, LV= Equity Release Partnership Development Manager

Over the past decade, the generational wealth gap has continued to widen.

Younger generations in particular are feeling the pressure – with over a quarter (28%) aged 18-27 reporting financial struggles[1]. According to Dr Eliza Filby, a growing number of grandparents are relying on their savings to help their grandchildren navigate today's financial challenges. The amount they are contributing has nearly doubled on average from £2,455 in 2013 to £4,703 in 2025[2].

28%

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The bank of Gran and Grandad

The phrase 'bank of Gran and Grandad' refers to the informal financial support that grandparents provide to their grandchildren. However, not all grandparents have the savings available to provide this support. The increase in cost of living has impacted 61% of people, with 24% now saving less[3]. It's perhaps unsurprising that more families are exploring different ways to provide financial support to the younger generation.

One way to do this is through the use of a lifetime mortgage, a loan secured against your client's home. Whilst a loan secured against the home may reduce a potential future inheritance amount, it allows your client to retain ownership and release a percentage of their property value as a lump sum cash amount, or options via instalments from a drawdown facility. This way, the older generation can assist their loved ones, with less impact on their own lifestyle and remain financially confident in retirement. Our research shows this is becoming a more popular way to help bridge the generational wealth gap with 22% of people utilising a lifetime mortgage to help friends and family[3].

With an LV= Lifetime Mortgage, your clients have the option to make early repayment charge (ERC) free repayments up to 11% per annum on Lifestyle and 10% per annum on Plus. This can reduce the effect of roll-up interest whilst also providing the flexibility to reduce the outstanding loan balance. LV's ERCs are calculated on the outstanding capital balance which excludes any interest accrued, this helps to reduce any potential ERC incurred. In addition, for our Drawdown products we calculate ERCs based on the completion date of the initial loan, rather than the date of further withdrawals made. This means your clients would only have to pay an ERC in the first 8 years on the Lifetime Mortgage Drawdown Lifestyle products or 10 years on the Drawdown Plus products, regardless of when additional withdrawals are taken.

No ERCs after:

8 years
on the Lifestyle product range

10 years
on the Plus product range

Lifetime mortgages can be an effective financial tool for homeowners looking to leverage their property wealth to support family members and help to close the generational wealth gap. By stepping into the role of the 'bank of Gran and Grandad', grandparents can play a part in helping their grandchildren achieve financial independence and stability while still being present to see it happen.

Find out more about LV= Lifetime Mortgages

Sources:

1. LV= Wealth and Wellbeing Research Programme, Edition 21, September 2025
2. LinkedIn.com/Dr Eliza Filby - Grandparents to the rescue activity
3. LV= Equity Release, Reason for Loan data, October 2025

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47860-2025 a 11/25

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