THE ADVISOR GUIDE

RETIREMENT

REVERSE MORTGAGE

Why the Home Asset Powers a More Secure Retirement

Protect Your Kingdom

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This Guide is intended for Financial Advisors.
Not intended for Consumer use.

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[1]The Lifestyle Home Loan is a Home Equity Conversion Mortgage for Purchase. Borrower must occupy home as primary residence and remain current on property taxes, homeowner's insurance, the costs of home maintenance, and any HOA fees.

Your Client Today

The Profile for Boomer Generation (b.1946-1964) is Different

- Rely on Distributions from Defined Contribution Plans
- Must Plan for Longer Life Span
- Likely to Enter Retirement with Mortgage Debt
- Not Enthusiastic about Downsizing in Retirement
- Increased Longevity Potentiates Market Risk
- Anxious about Social Security/Medicare Regulatory Changes

The 15 Risks at a Glance

- **Longevity Risk** - The risk of outliving assets.
- **Inflation Risk** - Erosion of asset values over time.
- **Budget Risk** - Spending withdrawal rates that prematurely drain the retirement portfolio
- **Health Related Risk** - Escalating unanticipated health, drug, dental and hearing costs
- **Long Term Care Risk** - Coverage and policy lapses in LTCI. The cost of self-insuring
- **Frailty Risk** - Aging may make tasks such as taking care of financial affairs or taking care of property more difficult
- **Financial Elder Abuse Risk** - Fraud occurring because of cognitive/physical decline
- **Market Risk** - Volatility swings increase with time
- **Interest Rate Risk** - Less than favorable growth and change in future value of investments/cash
- **Liquidity Risk** - Excess ratio of wealth concentrated in illiquid, indivisible asset such as real estate
- **Adverse Sequence Of Return Risk** - Early negative returns have permanent effect on portfolio resilience
- **Labor Risk** - Retiring early and/or being unable to return to the workforce
- **Pension Risk** - Insolvent/reduced pension funds
- **Spousal Loss Risk** - The loss of spousal resources. The loss of human capital in the home
- **Public Policy Risk** - Regulatory and legislative changes to Social Security, Medicare that could affect retirement securit

Consider the Risks, What if...

- You could give your clients greater peace of mind
- With an asset they already own
- That ensures access to the home asset throughout retirement
- Without sacrificing the security and comfort of home
- And provides a revolving line of credit* that:
  1. Cannot be canceled, frozen or reduced**
  2. Unused Line of Credit can continue to grow regardless of the home's value

* Applies only to HECM Line of Credits

** Provided borrower occupies home as their primary residence, pays property taxes, homeowners insurance and maintains the property.

Consider a Home Equity Conversion Mortgage (HECM)

- A mortgage with special features to meet retirement needs
- Monthly principal and interest payments completely voluntary
- Insured by FHA as a non-recourse loan to homeowner and the estate

It's the relationships you build with your clients and the guidance and advice you provide throughout their lives that makes a real difference.

Credit Determinants

- Age of youngest borrower
- Value of home
- Current interest rate
- Occupancy as principal residence

Just Like Any Other Mortgage

- The borrower must maintain tax and insurance obligations
- Stay current on HOA fees, if any
- Maintain the home in reasonable repair
- At application, demonstrate willingness and capacity to meet homeowner responsibilities

Distribution Options

- Lump sum for divorce settlement, home purchase, or pay off of existing mortgage
- Tenure payments for duration of time in the home to supplement retirement income
- Term payments to meet specific needs for a defined time period
- Revolving Line of Credit with compounding growth feature
- Combination of the above options

Repayment Options

- Repayment is deferred until last borrower dies, moves or sells
- Monthly mortgage payments are accepted at the absolute discretion of the homeowner, but never required.
- For the adjustable rate HECM, payments to the loan reduce the amount owed on the Line of Credit allowing it to be accessed again and again as long as the loan balance does not exceed the current Principal Limit.

The 4 Misconceptions*

The Bank Takes Back the House

The borrower retains title and the bank does not "get the house" unless a default event occurs.

You Can Owe More Than the House is Worth During the Term of the Loan

When the loan becomes due, the homeowner does not owe more than the home's value. Any remaining equity beyond the loan balance belongs to the estate. Heirs may retain the home by paying the lesser of the loan balance or 95% of the appraised value of the home.

You May Have to Move

Some mistakenly believe that once the money is used up, the loan is due. Actually, the loan is in effect as long a participant uses the home as a primary residence and does not default on the loan. .

You Can't Make Mortgage Payments

You are not required to make a payment on the principal or interest until the last participant dies, moves or sells the property (provided obligations are met and property tax and insurance payments are current). You can make monthly mortgage payments if you desire.

*The loan is in effect until the last homeowner or eligible spouse dies, moves or sell, property obligations are met and tax and insurance payments are current. Borrower must occupy home as primary residence.

The New Home Equity Conversion Mortgage

Do You Know the Facts?

Myth	The Correct Answer
The bank owns the house	The borrowers remain on title and continue to own and control the home. They retain the right to sell or refinance at any time.
The heirs lose their inheritance	The home may be left to the children, just like any mortgage. The heirs may then sell the home and retain any remaining equity or pay off the reverse mortgage and keep the house for themselves. No monthly debt obligation is due during the period while the estate is either selling the home or refinancing it. Interest continues to accrue, but no payment is due if the estate is settled within one year from the death of the last borrower.* Heirs may elect to "buy" the house for 95% of the home value or the loan balance, whichever is less, despite the fact that the loan amount may be more than home value.
High set up fees	Changes to the HECM in October, 2017 lowered the IMIP for all HECM loans from 2.5% to 2.0%. HECM fees are similar to all FHA insured mortgages.
No way out, inflexible	The homeowner maintains title and control and can sell or refinance at his/her discretion. There simply is no other financial product with the flexible terms inherent in the HECM. Payments may be deferred until the loan's end, or voluntary payments may be made which increase the HECM Line of Credit. The lender cannot cancel, freeze or reduce the HECM LOC, a common problem with a traditional HELOC. The homeowner is not subject to recasting of the mortgage to a payment schedule.
Prepayment penalties	FHA forbids prepayment penalties on HECM loans. Although payments are never required while in the home, payments against the loan balance are accepted, and in variable rate HECM loans, payments are applied to reduce the outstanding balance of the Line of Credit.
Lender equity share	The lender is not entitled to any repayment beyond the accumulated loan balance on a HECM loan. All remaining equity belongs to the estate.
High interest rates	Interest rates are similar to other FHA loans and now offer a 5 point lifetime cap. Fixed rate HECM loans are an option, as well.
Legacy concerns	Research demonstrates that coordinating the housing asset to protect other resources may improve overall legacy value.[1]
A younger spouse must move out if the older one dies	With new regulations, FHA protects younger spouses and eligible non-borrowing spouses from early displacement when the older homeowner dies. If the younger spouse is 62 and listed as a borrower when the loan starts, they have the same rights as the older homeowner.
Last resort the best strategy	Retirement research confirms that waiting until portfolio depletion to initiate a HECM is a dangerous way to rely on home equity. In doing so, the client loses the compounding growth in the Line of Credit and/or uses too much of his/her portfolio for fixed expenses in market downturns.[2]
For the poor, "not my clients"	Again, research demonstrates that those with assets beyond their home are in a position to gain significant retirement security by protecting other sources of wealth.[3]
Too much bad press for my clients	With media outreach from organizations like the Funding Longevity Task Force | American College, the press your clients are reading is increasingly more sophisticated and positive.

*This is true only if both 90 day extensions are requested and granted by the servicer; otherwise the default period is 6 months

[1] Pfau, Wade. 2018. "Reverse Mortgages: How to use Reverse Mortgages to Secure Your Retirement (The Retirement Researcher's Guide Series) (Volume 1)" Retirement Researcher Media. Second Edition. Pages 96-99. [2] Ibid, pages 93-96. [3] Ibid, Chapter 5.

GENERATE A GREATER RETIREMENT

Using the Home Asset as a Last Resort could Jeopardize the Retirement Portfolio

Reversing the Conventional Wisdom: Use Home Equity Early in Retirement

Sacks, Barry H., and Stephen R. Sacks. 2012. "Reversing the Conventional Wisdom: Using Home Equity to Supplement Retirement Income." Journal of Financial Planning 25(2): 43-52. "The model also shows that the retiree's residual net worth (portfolio+home equity) after 30 years is about twice as likely to be greater when (the coordinated) strategy is used than when the conventional strategy is used. The overriding objective for many retirees is to maintain cash flow throughout their retirement years, to avoid "running out of money" in their later years. Cash flow survival is the central theme of this article."

HECM Reverse Mortgage: Now or a Last Resort?

Pfeiffer, Shaun, C. Angus Schaal, and John Salter. 2014. "HECM Reverse Mortgages: Now or Last Resort?" Journal of Financial Planning 27(5): 44-51. "Survival results associated with real withdrawal rates at or above 5% suggest that early establishment of the HECM Line of Credit… consistently leads to higher survival rates in years 20 and 30 of retirement, when compared to survival rates for each of the three last resort establishment scenarios."

Incorporating Home Equity Into a Retirement Income Strategy

Pfau, Wade. 2016. "Incorporating Home Equity into a Retirement Income Strategy." Journal of Financial Planning 29 (4): 41–49. "…opening the Line of Credit at the start of retirement and then delaying its use until the portfolio is depleted creates the most downside protection for the retirement income plan. This strategy allows the Line of Credit to grow longer, perhaps surpassing the home's value before it is used, providing a bigger base to continue retirement spending after the portfolio is depleted."

5 Ways To Generate Greater Security in Retirement

Strategic Coordination of Housing Wealth with Other Assets

1. **Replace mortgage with HECM:**
   Alleviate stress on portfolio by eliminating principal/interest payments*
2. **Establish Standby HECM Line of Credit:**
   Provide buffer asset to mitigate adverse sequence of returns
3. **Finance with HECM for Purchase:**
   Increase retirement portfolio asset for funding further longevity
4. **Create "annuity" from Housing Wealth via HECM Tenure Plan:**
   Reduce portfolio draws without sacrificing spending
5. **Secure a Growing HECM Line of Credit at the Qualifying Age of 62:**
   Hedge against inflation, property deflation & unexpected expenses

*Borrower must maintain home as primary residence and remain current on property taxes, homeowners insurance, property maintenance and HOA fees.

Strategy:

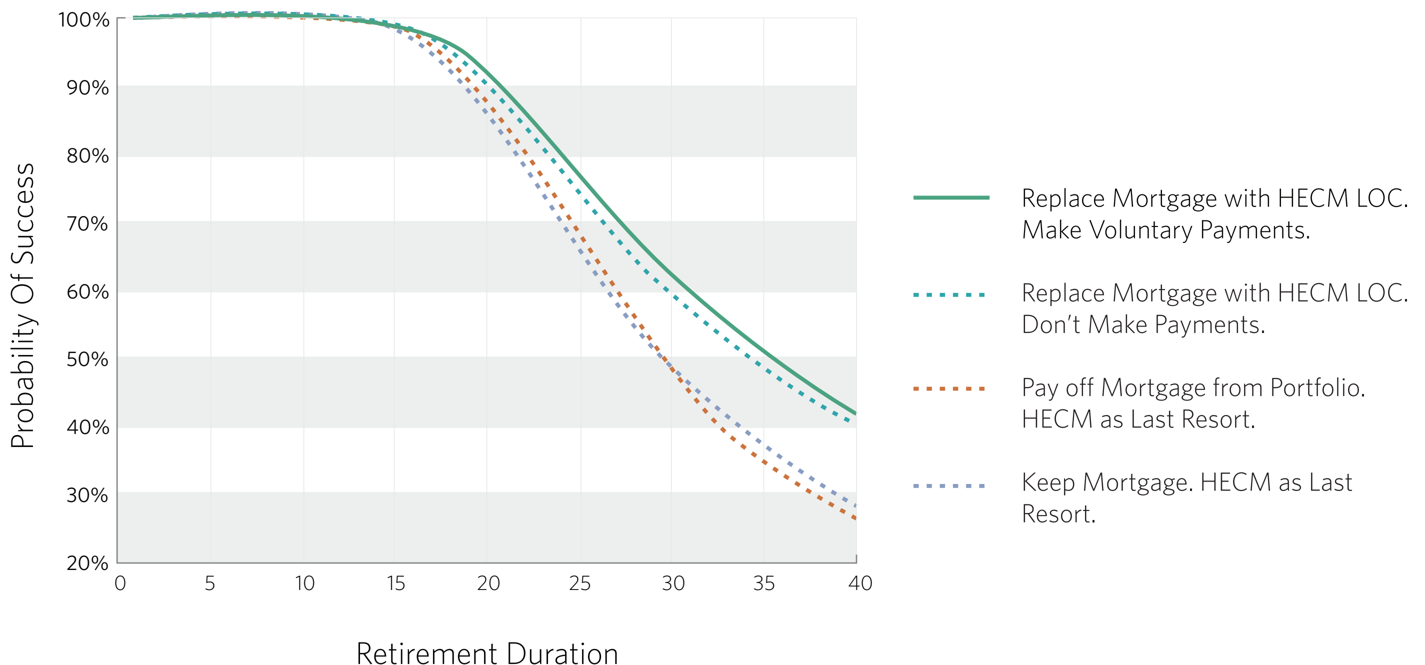
Eliminate Mandatory Principal and Interest Payments

Clients with fewer fixed expenses are better able to withstand volatility in retirement.

Wade Pfau, PhD, CFA
Professor of Retirement Income | American College

"The worst outcomes happen either by paying off the traditional mortgage with portfolio distributions at the start of retirement or carrying the traditional mortgage into retirement, and then setting up a HECM only as a last resort option after portfolio depletion."

Give me a call and let's start the conversation.



Probability of success for a 4% Post-Tax Initial Withdrawal Rate, $1 million portfolio, $541,833 home value, 25 % marginal tax rate.

Reverse Mortgages: How to use Reverse Mortgages to Secure Your Retirement (The Retirement Researcher's Guide Series), 2nd Edition by Wade Pfau 2018.

Strategy:

Mitigate Early Adverse Sequence of Returns with a HECM

Barry Sacks, PhD, JD illustrates the effect of an adverse sequence of returns with a portfolio that is negative in four of the first nine years. The conventional approach of taking portfolio draws without regard to market returns is compared to a strategy of substituting draws from a HECM in years following negative growth years. Even with the compounding HECM debt at 5% over 30 years of retirement, the estate enjoys substantial improvement in both cash flow and residual legacy value.

Conventional Thinking: Last Resort Draw from Portfolio until Depleted

Year	Portfolio At Start Of Year	Investment Performance	Draw From Portfolio	Draw From Rm Loc	Portfolio At End Of Year
1973	$500,000	-9.3%	27,500		428,652
1974	$428,652	-15.5%	28,463		338,120
1975	338,120	22.3%	29,459		377,493
1976	377,493	17.9%	30,490		409,013
1977	409,013	-4.1%	31,557		361,905
1978	361,905	2.2%	32,661		338,552
1979	336,552	8.0%	33,805		326,998
1980	326,998	15.4%	34,988		337,009
1981	337,009	-1.4%	36,212		296,706
1982	296,706	25.2%	37,480		324,655
1983	324,655	13.3%	38,791		323,941
1984	323,941	8.9%	40,149		308,935
1985	308,935	25.2%	41,554		334,734
1986	334,734	15.2%	43,009		336,068
1987	336,068	3.4%	44,514		301,496
1988	301,496	10.3%	46,072		281,809
1989	281,809	20.9%	47,685		283,150
1990	283,150	1.0%	49,354		236,087
1991	236,087	21.4%	51,081		224,524
1992	224,524	5.6%	52,869		181,268
1993	181,268	7.9%	54,719		136,559
1994	136,559	-2.8%	56,634		77,718
1995	77,718	25.7%	58,617		24,007
1996	24,007	11.1%	24,007	36,661	0
1997	0	19.3%	0	62,791	0
1998	0	17.0%	0	64,989	0
1999	0	7.8%	0	67,264	0
2000	0	-0-9%	0	69,618	0
2001	0	-3.7%	0	72,005	0
2002	0	-8.6%	0	74,576	0
			End Balances:	-$538,773	$0

-$538,773 Net

New Wisdom: Coordinate with Investments Draw from LOC Following Down Market

Year	Portfolio At Start Of Year	Investment Performance	Draw From Portfolio	Draw From Rm Loc	Portfolio At End Of Year
1973	500,000	-9.3%	27,500		428,652
1974	428,652	-15.5%		28,463	362,166
1975	362,166	22.3%		29,459	442,932
1976	442,932	17.9%	30,490		486,145
1977	486,145	-4.1%	31,557		435,859
1978	435,859	2.2%		32,661	445,515
1979	445,535	8.0%	33,805		444,710
1980	444,710	15.4%	34,988		472,861
1981	472,861	-1.4%	36,212		430,710
1982	430,710	25.2%		37,480	539,422
1983	539,422	13.3%	38,791		567,314
1984	567,314	8.9%	40,149		573,872
1985	573,872	25.2%	41,554		666,408
1986	666,408	15.2%	43,009		718,156
1987	718,156	3.4%	44,514		696,613
1988	696,613	10.3%	46,072		717,742
1989	717,742	20.9%	47,685		810,367
1990	810,367	1.0%	49,354		768,472
1991	768,472	21.4%	51,081		870,625
1992	870,625	5.6%	52,869		863,551
1993	863,551	7.9%	54,719		872,810
1994	872,810	-2.8%	56,634		793,650
1995	793,650	25.7%		58,617	997,459
1996	997,459	11.1%	60,668		1,040,493
1997	1,040,493	19.3%	62,792		1,165,909
1998	1,165,909	17.0%	64,989		1,287,967
1999	1,287,967	7.8%	67,264		1,315,795
2000	1,315,795	-0.9%	69,618		1,234,712
2001	1,234,712	-3.7%		72,055	1,189,275
2002	1,189,275	-8.6%		74,577	1,086,997
			End Balances:	-$692,007	$1,086,997

+$394,991 Net

+$933,764 Differential to Estate

Retirement Management Journal, "An Alternative Buffer Asset." Author Shelley Giordano, Volume 6, No. 1. 2016.

Mutual of Omaha Mortgage, Inc., NMLS 1025894. 3131 Camino Del Rio N 1100, San Diego, CA 92108. These materials are not from HUD or FHA and the document was not approved by HUD, FHA or any Government Agency. Subject to Credit Approval. www.nmlsconsumeraccess.org

Strategy:

Purchase a New Retirement Home without Mandatory Mortgage Payments or Portfolio Invasion

Look at the Facts:

Boomer retirees are on the Move

- Account for 20 % of all US home purchases[1]
- Don't want maintenance
- Getting divorced in record numbers
- Big house too expensive to maintain
- Home not suited to health/mobility needs
- Recent high property taxes
- Afraid neighborhood is declining
- Looking for new experiences, lifestyle
- #1 Reason : prefer proximity to grandchildren[2]

Is there a purchase product that...

- Is uniquely suited to the distribution phase of retirement?
- Reduces the impact of moving costs?
- Reduces the cash needed to purchase the home?
- Reduces exposure to adverse Sequence of Returns?
- Improves cash flow?
- Allows your client to buy a more desirable home?

[1] National Association of Realtors
[2] Age Wave, Merrill Lynch Study: Home in Retirement

The Lifestyle Home Loan for Financial Advisor Clients

The safe, FHA-insured HECM purchase product allows your client to make a down payment and finance the remainder of the purchase price with a reverse mortgage. Your client uses the equity from the sale of their departure home, or money from savings, to fund a portion of the sale. The remaining financing is a reverse mortgage so that the clients' cash flow looks and feels like a cash purchase.

Example:

Jim and Sally Hudson want to sell their present home and purchase one closer to their daughter in another city. They are both 75 years of age with proceeds from the sale of their departure residence of $400,000.

They can now purchase a new home using the Lifestyle Home Loan!

If they decide to:	Downsize	or	Upsize
Cash after sale	$350,000		$400,000
Cost of new home	$300,000		$600,000
HECM proceeds*	$ 124,750		$221,000
Cash needed to close	$225,250		$379,000
Cash remaining after purchase	$174,750		$ 21,000

Now living in a new home, Jim and Sally have no monthly mortgage payments and a significant amount of cash is left over for future expenses. The Lifestyle Home Loan provides opportunities and options for today's older homebuyers. This is exciting news!

Example:

Jim and Sally Hudson want to sell their present home and purchase one closer to their daughter in another city. They are both 75 years of age with proceeds from the sale of their departure residence of $700,000.

If they decide to:	Downsize	or	Upsize
Cash after sale	$700,000		$700,000
Cost of new home	$500,000		$800,000
HECM proceeds*	$182,500		$298,000
Cash needed to close	$317,500		$502,000
Cash remaining after purchase	$268,200		$198,000

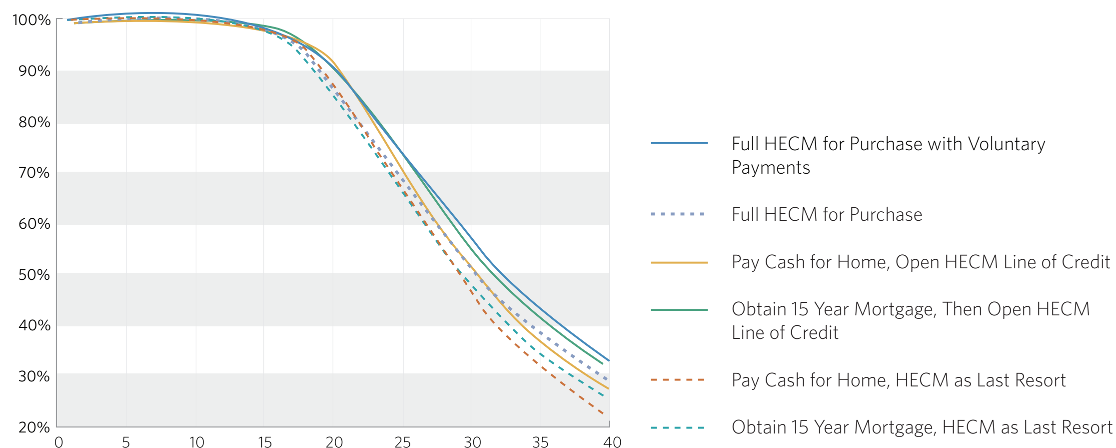
Now living in a new home, Jim and Sally have no monthly mortgage payments and a significant amount of cash is left over for future expenses, or to buffer their retirement fund.

*The Lifestyle Home Loan is a Home Equity Conversion Mortgage for Purchase. Example shown is for illustrative purposes only. Actual down payment amounts may vary based on interest rate, borrower age and other factors. This range assumes closing costs will be financed into the loan. Closing costs include an up-front mortgage premium of 2% of the property value as well as other closing costs such as an origination fee, title insurance, appraisal fee, credit report fee and recording costs. Typical closing costs including initial MIP range between $10,000 to $40,000. Please check with your Lifestyle Home Loan Specialist for actual figures.

Comparing Retirement Home Purchase Strategies

Wade Pfau, PhD, CFA

Dr. Pfau demonstrates that the more mandatory, fixed expenses in retirement, the greater portfolio depletion risk exists. He compares buying a home with all cash and other strategies such as taking on a mortgage or 2 strategies using a HECM for Purchase.



Voluntary payments when the market is strong on a HECM for Purchase provides the greatest retirement security..

Reverse Mortgages: How to use Reverse Mortgages to Secure Your Retirement (The Retirement Researcher's Guide Series), 2nd Edition by Wade Pfau 2018.

Strategy:

Reduce Portfolio Draws without Sacrificing Spending

Case Study: Use a HECM tenure Option to Supplement Spending The 6% Rule

Scheduled Payment from HECM	Retirement Horizon	Initial Withdrawal Rate	Probability of Success	Outcome
N/A, Portfolio Draws only	30 Years	4%	90%	Spending limited
Portfolio Alone	30 Years	6%	36%	Not reliable
Monthly Tenure Supplements from HECM	30 Years	6%	90%+	Greater spending
Portfolio Alone	37 Years	3.25%	90%	Spending limited
Monthly Tenure Supplements from Tenure	37 Years	5.5%	90.6%	Longevity protec-tion

62 Year old client, $800,000 Portfolio, minimum 60% Equities, $450,000 Initial Home Value, 2014

"Even at a 5.5% initial withdrawal rate, tenure advances extended portfolio resilience to 37 years, well beyond the usual planning horizons." A first year withdrawal of 6% on an $800,000 portfolio is $48,000. This is the equivalent of $4,000 a month. After paying federal and CA taxes, this leaves $2,583 to spend. For illustration purposes, if the HECM allowed a tenure draw of $1,328 tax-free each month. On a tax equivalent basis, that is $2,057 in spending power which allows the portfolio draw to be reduced to $1,943.

Wagner, Gerald C. 2013. "The 6.0 Percent Rule." Journal of Financial Planning 26(12): 46 - 54. A 2014 update.

Strategy:

Hedge Against Inflation, Property Deflation, Spending Shocks

Understanding the Powerful HECM Line of Credit in HECM Adjustable Rate Loans

The Line of Credit grows in borrowing power month over month combining these factors:

1. The current applicable index rate
2. The lender margin /12
3. The .50 % ongoing FHA Mortgage Insurance/12

The Line of Credit:

- The Line of Credit is insured by FHA and cannot be canceled, frozen or educed as long as all terms of the loan are met*
- The Line of Credit growth must be made available to the borrower and cannot change at lender's discretion, as long as all terms of the loan are met*
- The Line of Credit continues to grow regardless of home value depreciation and The Line of Credit is accessible as long as the loan balance has not exhausted the credit capacity
- The Line of Credit may be revolving and can be used again and again, if the borrower makes voluntary payments to the loan
- The Line of Credit has no maturity date and there is no draw period limit
- The Line of Credit loan amount is not a fixed expense since no monthly payments are required
- The Line of Credit builds dollar for dollar when voluntary payments are made on the loan balance
- The Line of Credit is a non-recourse loan
- The Line of Credit stands in as an effective shock absorber for unexpected expenses, portfolio downturns

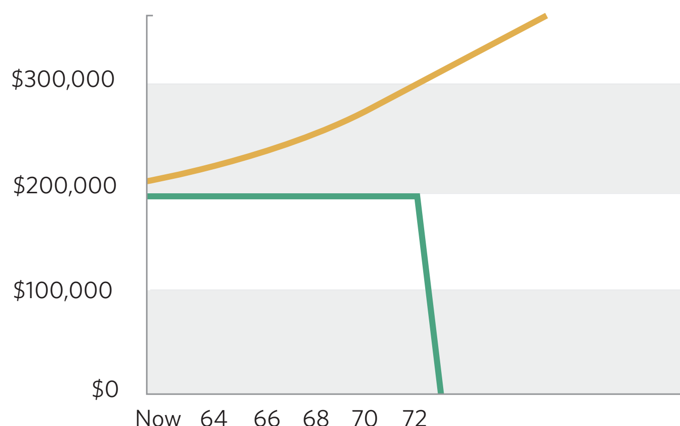
*Borrower must occupy home as primary residence and is responsible for home maintenance, property taxes, homeowner insurance, and any HOA fees.

Establish HECM Line of Credit Now or Later?

Growth in HECM Line of Credit v. HELOC

Wade Pfau, PhD, CFA

"The message is that opening a HECM Line of Credit earlier allows for greater availability of future credit relative to waiting until later in retirement."



This chart by Thomas C. B. Davison illustrates the growth in borrowing power for the HECM Line of Credit (orange ReLOC line) compared to lack of growth in traditional HELOC in green. $400,000 initial home value with Line of Credit growth rate of 4%. Reverse Mortgages: How to use Reverse Mortgages to Secure Your Retirement (The Retirement Researcher's Guide Series), 2nd Edition by Wade Pfau 2018.

Advice to a Reluctant Client on Setting Up a HECM Line of Credit:

What's the Cost of Delaying?

1. If your client waits until they have run out of money, their financial situation may have deteriorated to such a degree they will not be able to demonstrate they can manage their home obligations and they may not qualify.

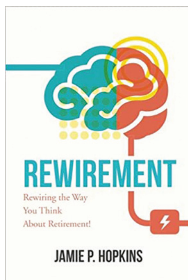
2. If you do not set up a HECM Line of Credit early in retirement, you will lose the compounding growth.

3. If you do not set up a HECM Line of Credit early in retirement, it cannot serve as an alternate source of income should there be an undesirable sequence of portfolio returns which could derail your retirement security.

4. Because interest rates are relatively low today, the HECM initial credit limit is high. If you wait until rates increase, you must begin with a smaller credit limit. This can be a problem if your plan is to replace a current traditional mortgage (with monthly payments) with a HECM. Higher interest rates could prevent you from having enough proceeds from the HECM to replace that mortgage.

5. Since your house is an undiversified asset, placing a guaranteed growing Line of Credit on it allows you to hedge against declining housing values.

WHEN TO SUGGEST A HECM



Jamie Hopkins, MBA, JD

American College

"Cash is king in retirement" once labor income is gone. Advisors encounter client challenges that could be solved if there were just a bit more money.

Do you have clients that will not invest in, or cannot qualify for LTCI (Long-Term Care Insurance)?

A growing HECM Line of Credit can function as a "put" on long term care self-funding. Once in place the LOC grows to fund future needs, but if not needed remains as equity in the home.

Do you have clients who would benefit from delaying Social Security but need money now?

With careful planning and guidance from you, a HECM can serve as a bridge for Social Security deferral.

Do you have clients who need housing modifications to age comfortably at home?

A HECM LOC can provide the funds to improve the house.

Do you have clients whose portfolio withdrawals are excessive?

A HECM tenure option adds supplemental tax-free funds so that portfolio draws are reduced.

Do you have clients who would benefit from managing tax bracket creep?

Draws from the HECM are tax-free and can reduce taxable withdrawals.

Do you have clients who want to finance an encore business?

Use the HECM without monthly payments and reduce the loan balance when the business succeeds.

Do you have clients who have had to spend down their portfolios in a market downturn?

Prepare them with a HECM LOC as a standby to avoid selling assets in a bear market. Repay when good times return.

Do you have clients who may live so long that they will encounter expensive home, car, medical, drug, dental and hearing expenses?

A HECM LOC established early in retirement will grow with inflation and be there to meet unexpected expenses.

WHAT ABOUT TAXES?

1. Draws from the HECM are Tax-free

Replace taxable income with HECM draws to reduce tax bracket creep, increase spending power.

2. The Lost Deduction

Time inheritance of retirement accounts to HECM interest deduction to offset taxes.

3. Reduce Taxable Estate

Use equity for another purpose.

4. Bunch Voluntary Payments on HECM Acquisition Loans

Time discretionary payments for strategic tax effects.

These strategies are not meant to be legal, tax, or financial advice and are offered to point financial advisors to consult with experts in the tax planning profession.
https://tcbdavison.files.wordpress.com/2016/04/sacks-et-al-recovering-a-lost-deduction-in-journal-of-taxation-april-2016.pdf

What is the Price and What Does it Buy?

The price of setting up a HECM is not insignificant. Your client will want to know if the benefit justifies the expense. As an advisor, you can reassure the client that setting up the HECM today will improve cash flow, especially later in retirement when they are less likely to be able to manage financial stress.

1. The largest fee is the 2.0 % upfront fee paid to FHA, based on the appraised value of the home. The fee is normally financed in the loan. Its purpose is to prevent liability should the loan balance exceed the home value which could happen if your client lives in the home for a long time. This fee is paid so no deficiency judgment may be taken against the homeowner or his children.

2. FHA allows the lender to charge an origination fee on a sliding scale, based on the appraised value of the home. The maximum permitted is $6,000. This fee is usually financed in the loan.

3. Like all mortgages, there are third party fees that are assessed for appraisals, title search, and mortgage recordation. Most of these may be financed in the loan.

Reverse Mortgages: How to use Reverse Mortgages to Secure Your Retirement (The Retirement Researcher's Guide Series), 2nd Edition by Wade Pfau 2018.

Partner With the Best

Mutual of Omaha Mortgage

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The Home Equity Retirement Originators at Mutual of Omaha Mortgage have completed an intensive, elite course in the proper role of reverse mortgages in retirement income security. Our loan officers adhere to a strict ethical code and will provide loan options that best meet your clients needs.

Mutual of Omaha Mortgage was founded specifically to help the investment community provide its clientele peace of mind to meet funding demands created by increasing longevity. Few advisors realize that for over three decades, due to legislation signed by President Ronald Reagan, a safe and effective way to monetize housing wealth for retirement income security has been available via the Home Equity Conversion Mortgage (HECM). Coupled with regulatory improvements, lower fees, and research by experts in financial planning, interest in housing wealth in the distribution phase is accelerating. The TEAM at Mutual is committed to helping you provide timely advice on how to integrate housing into the planning conversation. At Mutual we recognize that education on this topic can only be on the client's timeline, not ours. You can depend on Mutual of Omaha Mortgage to help address this sensitive topic with your clients and their families with respect, patience and transparency.

We are here for you

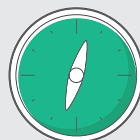
Contact us for upcoming webinars

Other services we provide:

Education office visits in person

HECM 101 for Advisors Course in your office

Private meetings with client in your office or their home



Speakers for your regional meeting or association

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The Lifestyle Home Loan is a Home Equity Conversion Mortgage for Purchase. Borrower must occupy home as primary residence and remain current on property taxes, homeowner's insurance, the costs of home maintenance, and any HOA fees.

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Charges such as an origination fee, mortgage insurance premiums, closing costs and/or servicing fees may be assessed and will be added to the loan balance. As long as you comply with the terms of the loan, you retain title until you sell or transfer the property, and, therefore, you are responsible for paying property taxes, insurance and maintenance. Failing to pay these amounts may cause the loan to become immediately due and/or subject the property to a tax lien, other encumbrance or foreclosure. The loan balance grows over time, and interest is added to that balance. Interest on a reverse mortgage is not deductible from your income tax until you repay all or part of the interest on the loan. Although the loan is non-recourse, at the maturity of the loan, the lender will have a claim against your property and you or your heirs may need to sell the property in order to repay the loan, or use other assets to repay the loan in order to retain the property.

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Why Mutual of Omaha

Over 50 years of Mutual of Omaha's Wild Kingdom taught us that the animal kingdom and the human kingdom have something in common … an instinct to protect what matters most. Through insurance and financial products, we help people protect their lives, protect their families, protect their kingdoms.

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