




# The New Reverse Mortgage


5 Ways Housing Wealth Is Changing the Estate Planning Conversation



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- **20 Years as a Home Equity Practitioner**  
15,000 + conversations | 2,500 personal clients | 20,000 Advisors
- **Credentialed Professional**  
Retirement Income Certified Professional, RICP®  
Certificate in Long Term Care, CLTC ®  
Certified Senior Advisor, CSA  
National Social Security Advisor Trained NSSA®
- **Adjunct Professor**  
The American College of Financial Services RICP® content contributor, National Housing Wealth CE Instructor
- **Reverse Mortgage Subject Matter Expert**  
PBS, Forbes, FSP, WIFS, NAIFA, Platform Speaking Guest
- **Best Selling Author**  
Housing Wealth: An Advisors Guide  
The Retirees Guide to Housing Wealth
- **Pracademic**



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## Typical Retirement Planning Picture




Income Investments Insurances Housing Wealth

SWip  
Systematic Withdrawal



Bucket  
Time Segmentation



Floor  
Safety First

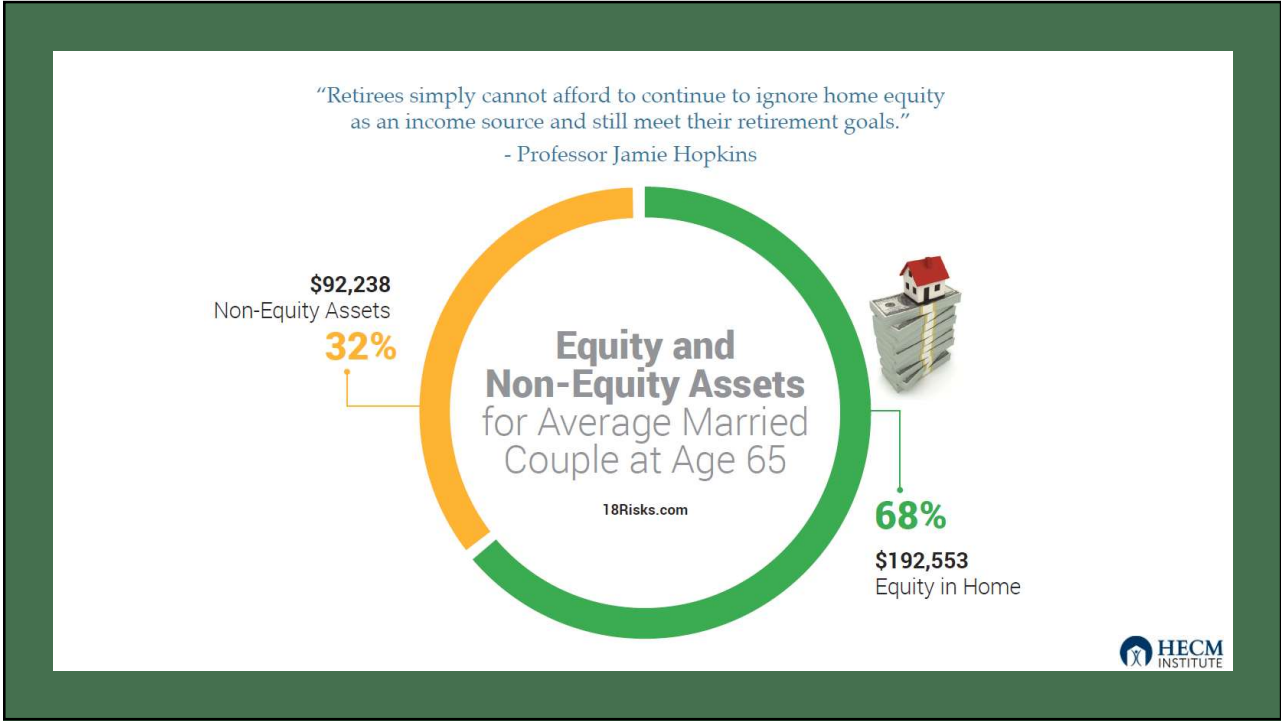
### 39 Modern Retirement Income Planning Techniques

By Wade Pfau, Ph.D., CFA | April 28, 2016 | Published Articles, Retirement Income Frameworks, Retirement Risks, Safety-First Retirements, Sustainable Spending



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## Reverse Mortgage Concerns

- ✓ To Complicated
- ✓ Too Controversial
- ✓ Too Expensive
- ✓ Equity Strippers
- ✓ Clients Have **Never Asked**
- ✓ Clients Will **Never Need**
- ✓ **Last Resort Only**



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# QUESTIONS

What % of Your Clients (*at or in Retirement*) Do You Think Would **Have A Need for a Reverse Mortgage?**

What % of Those Clients Would say They're **100% Certain They'll Have A Great Retirement?**

If There Were A Strategy that Could Help **Increase Cash Flow, Reduce Risks, Preserve Assets, and Improve Liquidity** and **Add New Savings**

What % of Your Clients Would Want You To Tell Them About It?



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## Borrower Profiles



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# BIG idea

Can Reverse Mortgages Help Advisors:

- Create **New Estate Planning Conversations** with Existing Clients?
- Acquire **New Clients**?
- Generate **More Revenue** without Ever Using the Proceeds of a Reverse Mortgage to do it?




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# What is a Reverse Mortgage?

## It's Just a Mortgage!




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## What Is a HECM?

**Home Equity Conversion Mortgage (HECM)**

A Federally Insured, Non Recourse loan developed by congress in 1988 to provide a mechanism for retirees **62** and over to use their housing wealth in a conservative and prudent manner.



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## What Are the Spending Options?

1. Lump Sum
- 2. Line of Credit**
3. Monthly Tenure Payments (length of loan)
4. Monthly Term Payments (limited and adjustable)
5. Combination




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## What are the Borrowers Responsibilities?

- **Live** in the Property
- **Maintain** the Property
- **Pay** the Property Related **Taxes**
- **Keep** Hazard **Insurance** in Force



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## How Does Repayment Work?



- The loan is repaid when the **last surviving borrower** permanently departs the home.  
Either moves or deceases
- At that time, **whatever proceeds were advanced** to the borrower plus accrued interest and HUD fees will be repaid
- 100% of the **remaining equity is passed on** to the borrower, the heirs or the estate
- 6 Months to Repay; **Extensions up to 1 Year**



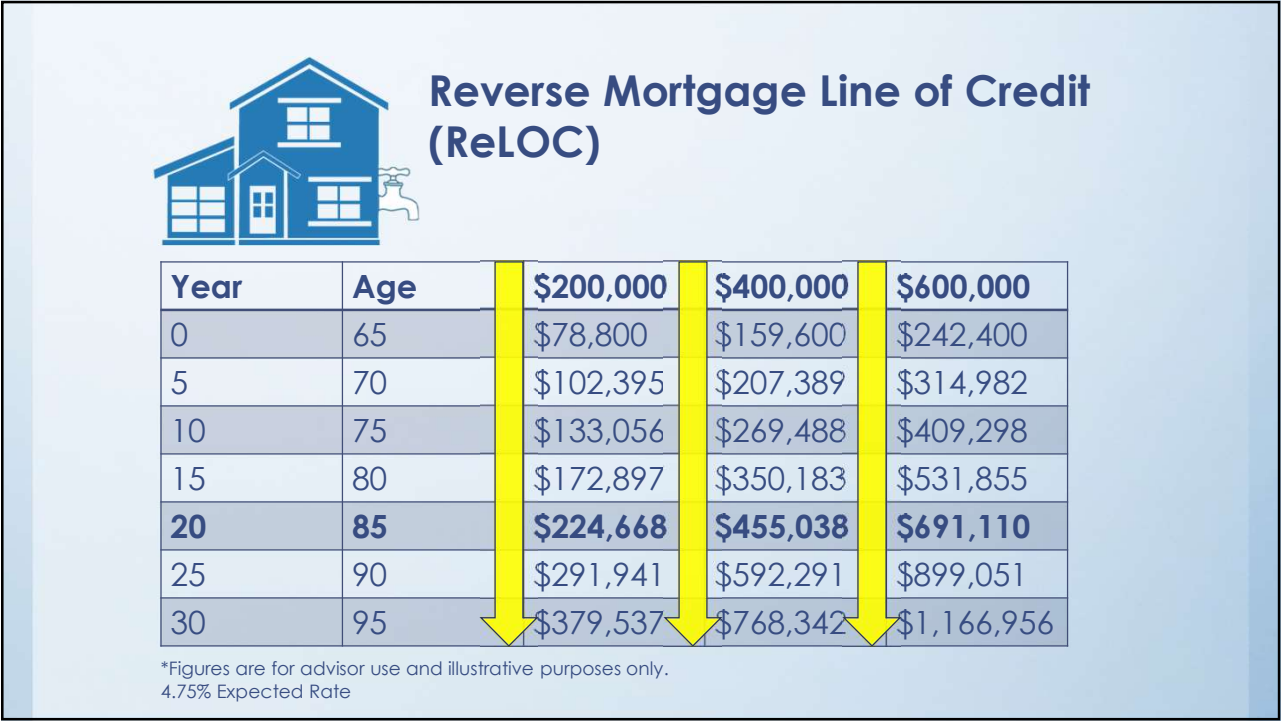
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## FOUNDATION 1: The HECM Line of Credit



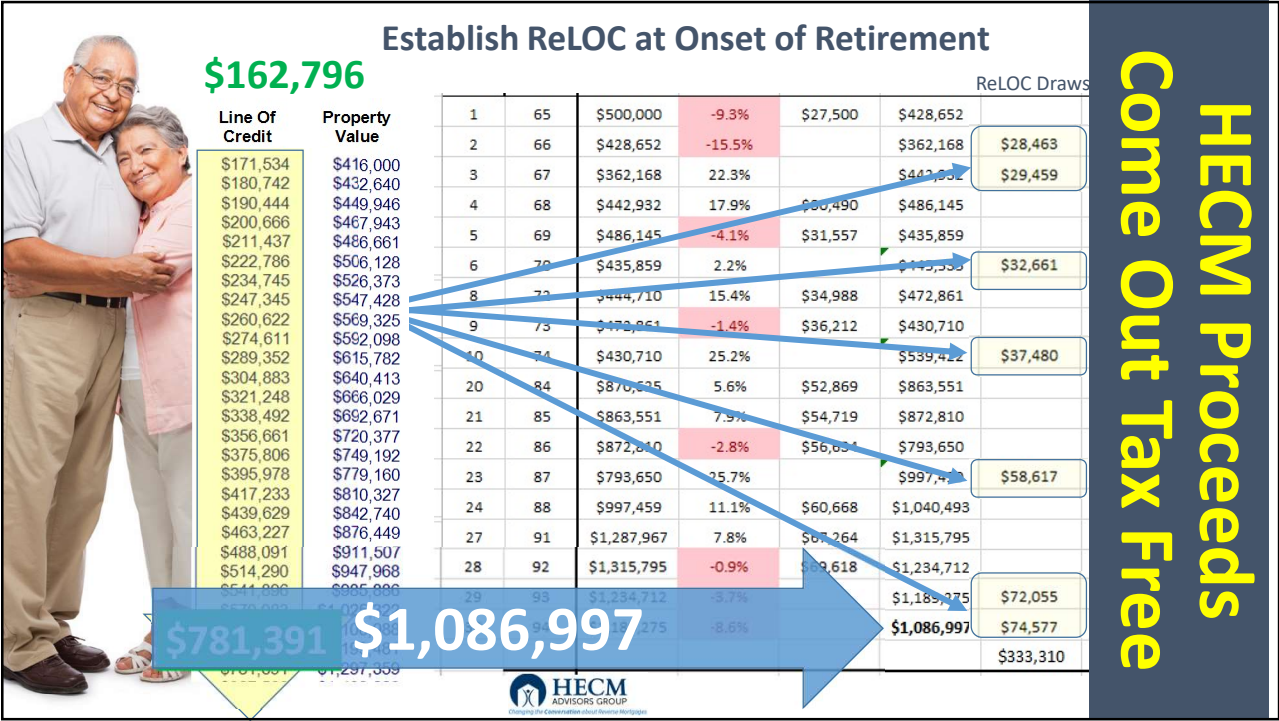
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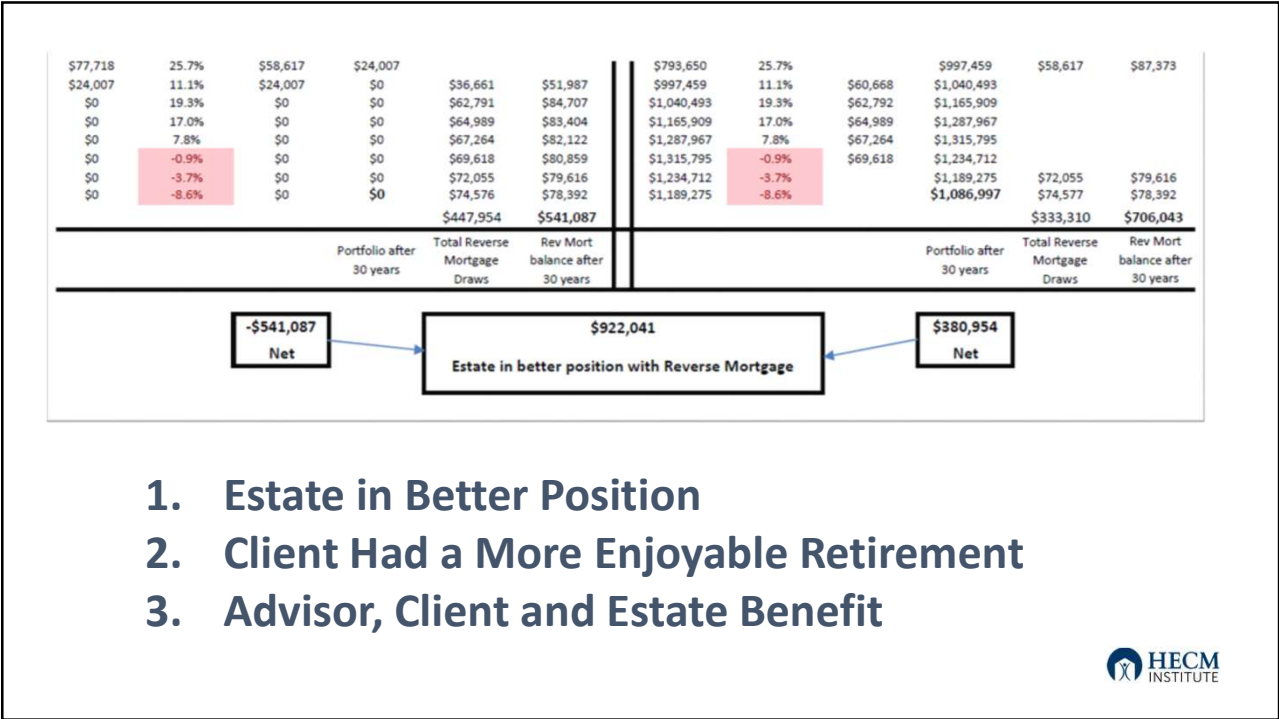
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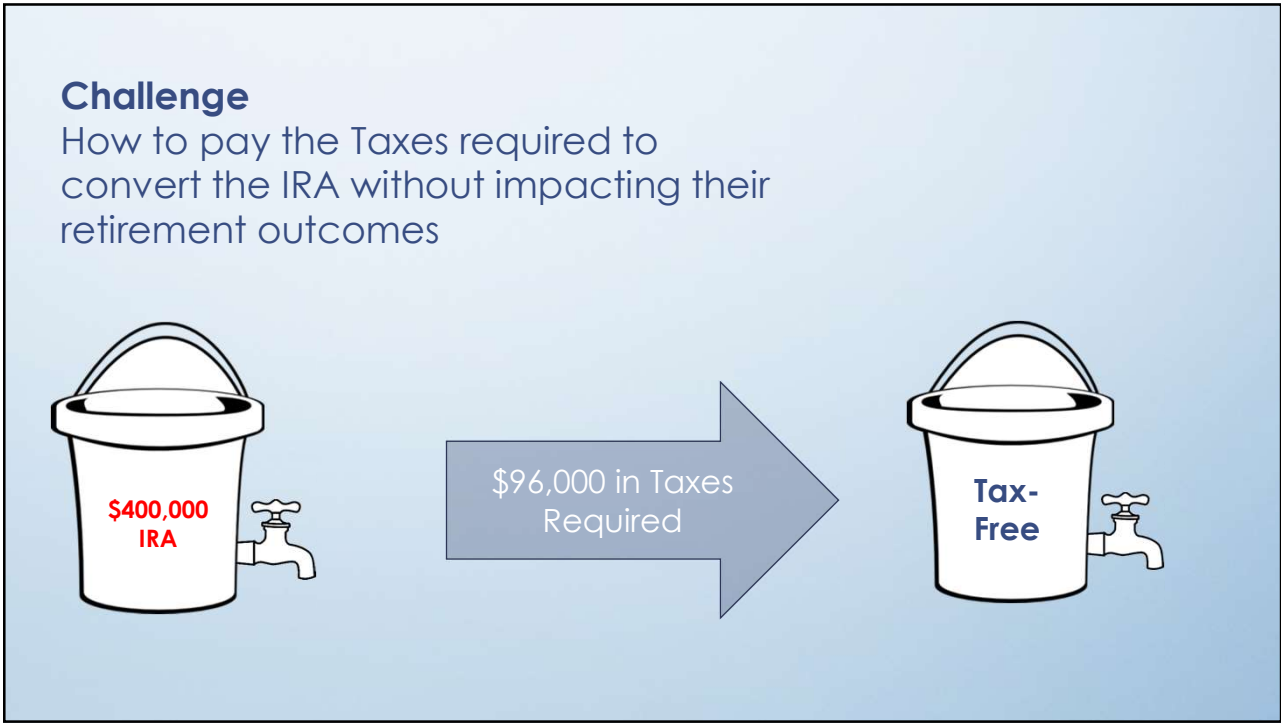
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# FOUNDATION 2:

## The HECM Monthly Payment





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ReLOC Conversion on **\$400,000** Home

Year	Age	\$400,000 Home Value	Monthly Payment	5 Year	10 Year
0	65	\$159,600	\$827	\$3017	\$1705
5	70	\$207,389	\$1140	\$3920	\$2215
10	75	\$269,488	\$1,608	\$5,094	\$2,879
15	80	\$350,183	\$2,349	\$6,620	\$3,741
<b>20</b>	<b>85</b>	<b>\$455,038</b>	<b>\$3,642</b>	<b>\$8,602</b>	<b>\$4,861</b>
25	90	\$592,291	\$6316	\$11,177	
30	95	\$768,342	\$14,524		

\*Figures are for advisor use and illustrative purposes only.  
4.75% Expected Rate

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## How Could **Term** Payment Be Used?

- Social Security Deferral
- Gap Healthcare
- Qualified Plan Deferral
- Annuity Deferral for Vesting
- Premium Replacement Funding – Avoid Lapses
- Go-Go Years Funding
- **Tax Bracket Management**

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## FOUNDATION 3: The HECM Replacement



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### Pierce and Linda Rosen

Ages: 66 | 66

First Year Income Need:  
**\$72,000**

Current Retirement Savings: **\$750,000**

Current Cash **\$350,000** CD/MM/\$

Initial Social Security **\$25,571**



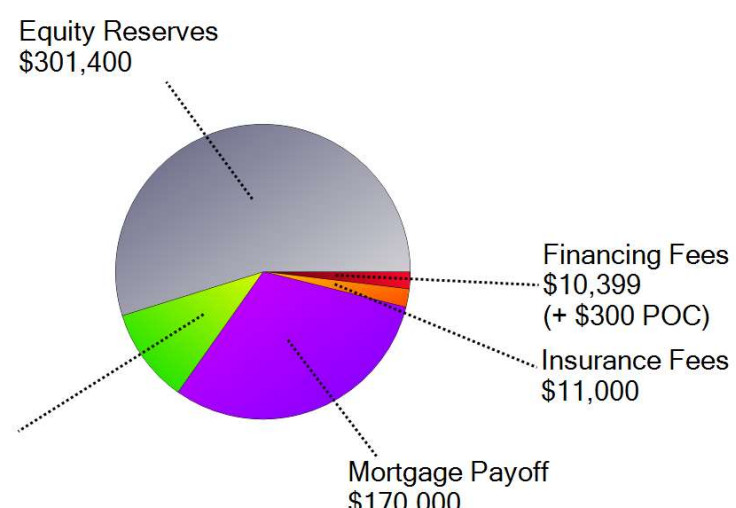
**\$550,000**

Adding Tenure  
Payment: **\$1,200/mo**

Existing Mortgage /  
Payment / Remaining  
**\$170,000** / 1,200 /240

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## HECM 4326 Replacement

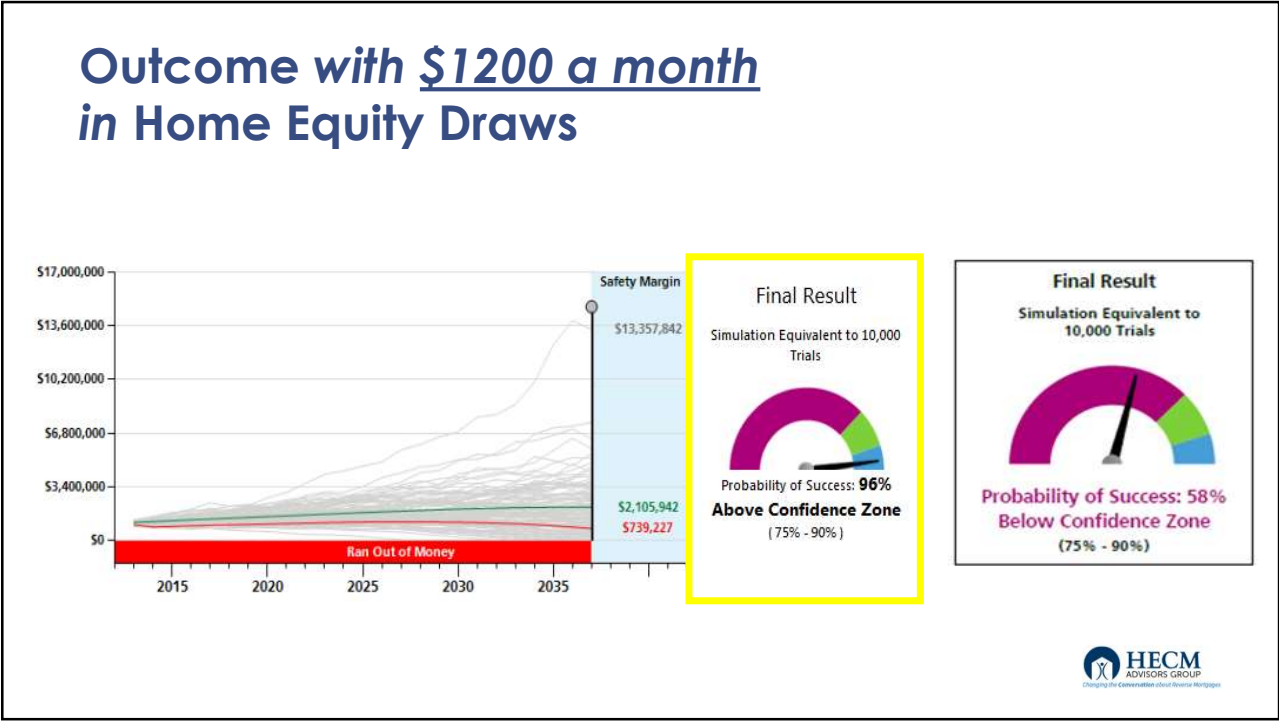


Category	Amount
Equity Reserves	\$301,400
Mortgage Payoff	\$170,000
Insurance Fees	\$11,000
Financing Fees (+ \$300 POC)	\$10,399
Line of Credit	\$57,201

### ADVANTAGES

- ✓ Eliminate \$1200 payment
- ✓ Establish \$57,000 ReLOC

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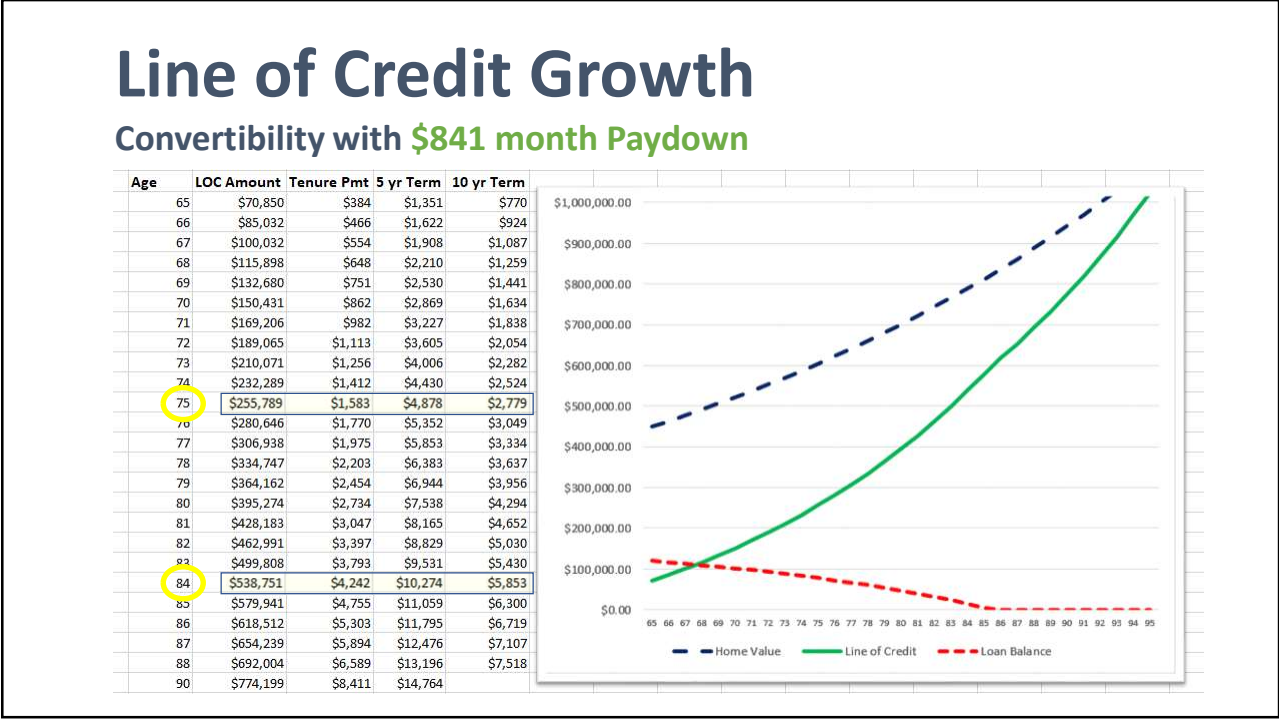
## FOUNDATION 4:

### The HECM Exchange



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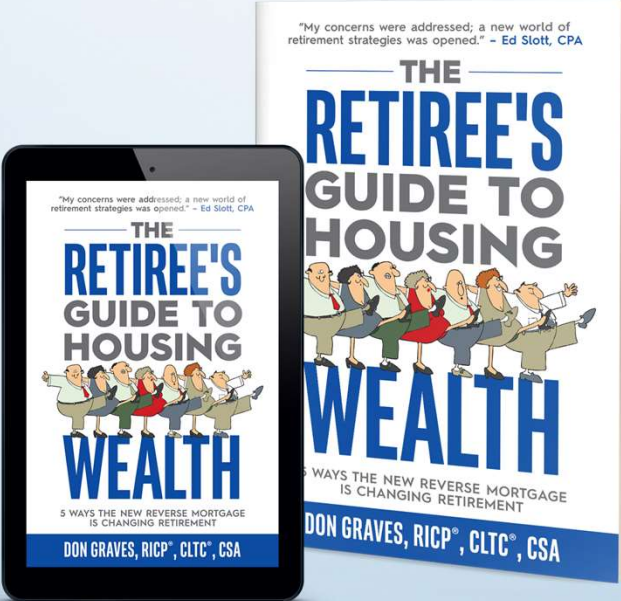
# FOUNDATION 5:

## The HECM for Purchase





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A Simple Tool That Works for You

- Every Concept Explained

How Housing Wealth Works with

- ✓ Market Risk
- ✓ Liquidity Concerns
- ✓ Longevity
- ✓ Annuities
- ✓ Managed Wealth
- ✓ Tax Management
- ✓ Life Insurance
- ✓ Long Term Care Planning
- ✓ Legacy Planning

Access to Consumer Video Filmed at American College

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**AskDonGraves@gmail.com**

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