NewReverseMortgage

A Smart Choice

Learn How The New Reverse Mortgage May Fit Into Your Retirement Plan.

Retire With Confidence

For years you've planned for your retirement. Along the way, you've made lots of smart decisions, including **investing in your home.**

Learn how the **New Reverse Mortgage** can help you take advantage of the existing equity in your home and live the retirement you've earned.

The New Reverse Mortgage

- How Does It Work?
- What's New?
- What Are the Advantages?
- How Are People Using Them?
- Is It Right for Me?

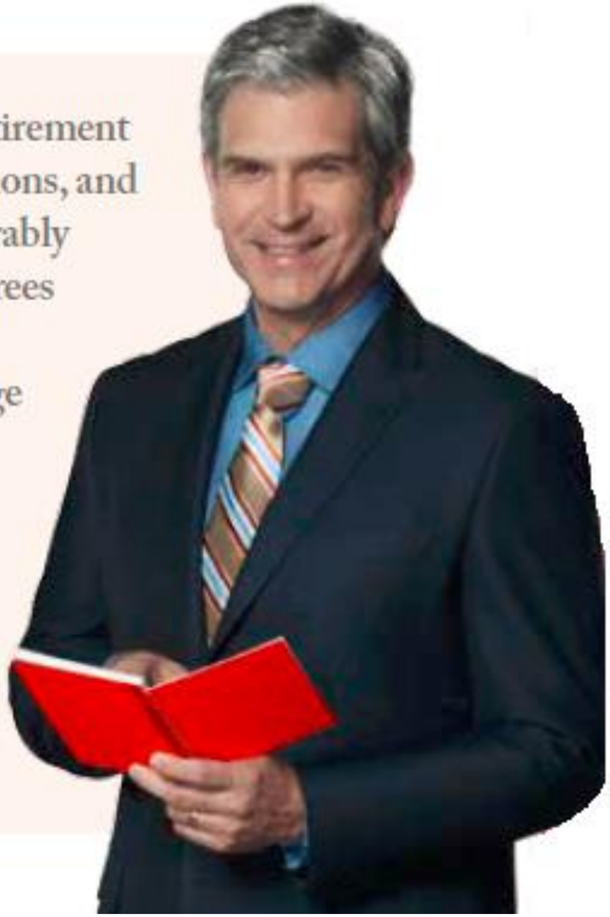
What *is* a Reverse Mortgage?

- Created in the 1980s to help homeowners 62 years and older convert part of the equity in their home into money that can be used during retirement.
- Recent changes to the program have made it a more effective way for eligible homeowners to gain financial flexibility while maintaining ownership of their home.
- Financial research coming out of prominent universities demonstrates how a reverse mortgage can extend the life of your nest egg, and significantly increase the likelihood that you will have enough money longer into your retirement.

A New Way To Fund Retirement

"The three legs of the traditional retirement 'stool' (Social Security benefits, pensions, and personal savings) have been considerably weakened… Current and future retirees need to re-examine their views and consider including a reverse mortgage as a part of their retirement plan."

— *Journal of Financial Planning*,
David W. Johnson, Ph.D., and
Zamira S. Simkins, Ph.D.,
"Retirement Trends, Current Monetary Policy, and the Reverse Mortgage Market"



How Does It Work?

- A reverse mortgage allows you to access some of the equity you've built up in your home, and convert it into cash or a credit line. It can also be used to finance the purchase of a home that better fits your needs.
- Monthly mortgage payments are not required. You will, however, still be responsible for property taxes, insurance, and maintenance, just as you would with a traditional home loan.
- As long as you meet these obligations, the loan balance does not become due until the last remaining homeowner no longer uses the home as a primary residence, or the home is sold.

How Does It Work?

The loan amount you qualify for is calculated based on a number of factors, including:

- the age of the youngest borrower
- the appraised value of your home
- the loan options you choose
- and prevailing market interest rates.

What's New?

It's safer for you.

New loan limitations help preserve your home equity funds for a longer period of time. Plus, mandatory mortgage insurance provides additional protection.

Rates & fees are lower than you might expect. *

With the low fee and interest rate options offered by many lenders, today's reverse mortgage may compare favorably with a traditional home equity line of credit or home equity loan alternative.**

* Rates and fees vary by lender.
** Source: (www.mybanktracker.com/heloc?ZoneID=Quick_Links&ProductID=Mortgage-HELOC

What's New?

Financial advisors have discovered new ways of using a reverse mortgage line of credit.

With its growth feature and new options that reduce up-front costs, a reverse mortgage line of credit can be used in new and innovative ways as part of a long-term retirement funding strategy.

It can help reduce portfolio spend-down risk and help your savings last longer.

It may provide more security, control and peace of mind than a traditional home equity line of credit.

What's New?

Your heirs are more clearly protected

If your heirs want to keep the home, they may pay off the remaining loan balance or 95% of the current appraised value, whichever is lower.

If they don't want to keep the home, it's listed for sale and the loan balance is paid off with the proceeds received.

You or your heirs never have to re-pay more than the value of the home. And once the loan is balance is repaid, any remaining equity belongs to you or your heirs.

What Are the Advantages?

No more monthly mortgage payments.

There are no monthly mortgage payments required as long as you comply with your loan agreement and live in your home. (You will, however, still be responsible for property taxes, insurance, and maintenance, just as you would with a traditional home loan.)

If you have an existing mortgage or other debts, and substantial home equity, you can use a reverse mortgage to pay off those debts and reduce your monthly expenses.

Or, if you own your home free-and-clear, you can get the additional funds you need with no minimum monthly repayments required.

What Are the Advantages?

Keep your home

You retain complete ownership of your home.

Federally insured loan

Most of today's reverse mortgages (known as Home Equity Conversion Mortgages, or HECMs) are insured by the Federal Housing Administration.

What Are the Advantages?

Tax-free cash with no restrictions.

The proceeds received from a reverse mortgage are generally not considered taxable income. (For tax issues, you should consult a qualified tax advisor.)

*While there are no restrictions on how loan proceeds may be used, access to some of your funds may be limited for the first 12 months of the loan.

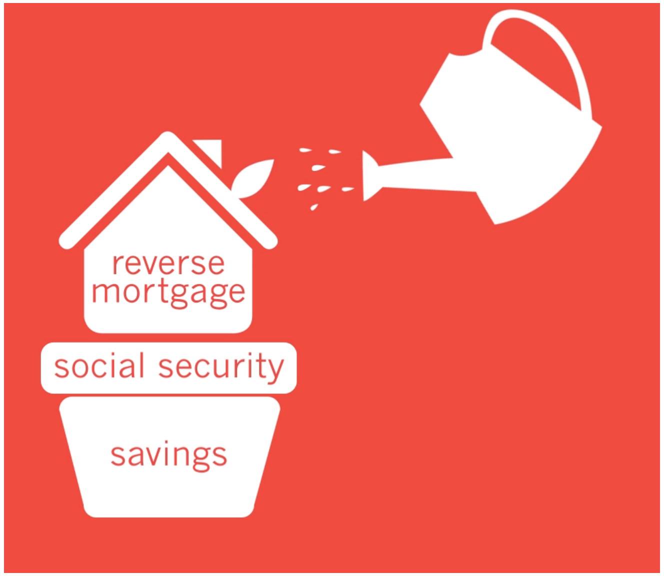
Defer Social Security

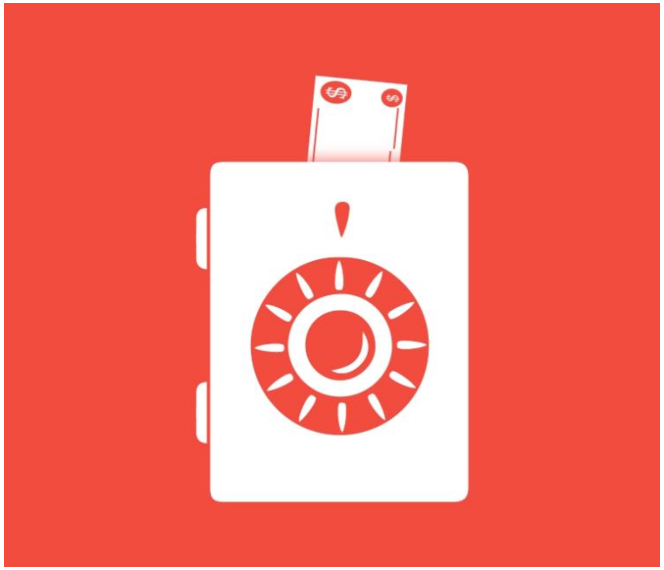
A reverse mortgage could help you defer starting your Social Security benefits—the longer you wait to access Social Security, the more you will receive each month once you start. [1]

[1] Social Security benefits estimator available at www.ssa.gov/estimator

How Are People Using Them?

Today, more homeowners and financial planners are using reverse mortgages in new and innovative ways as part of their long-term retirement strategy.





How Are People Using Them?

A reverse mortgage can be used to:

- Pay off a traditional mortgage to eliminate monthly mortgage payments.[2]
- Make retirement savings last longer. [3]

[2] A reverse mortgage is a home-secured debt that must be repaid upon maturity.
[3] Reverse Mortgages: What Advisors Should Know" by Paul Norr,
www. bankinvestmentconsultant.com/blogs/reverse-mortgages-what-advisors-should-know

Shaun Pfeiffer, Ph.D.; John Salter, Ph.D., CFP®, AIFA®; and Harold Evensky, CFP®, AIF® (December 2013), "Increasing the Sustainable Withdrawal Rate Using the Standby Reverse Mortgage." *Journal of Financial Planning* 26 (12): 55–62

How Are People Using Them?

Smart ways to help meet your retirement goals:

- Use a line of credit to build a safety net for unplanned emergencies, home repairs or health care expenses.
- Supplement income with monthly tenure payments from a reverse mortgage.
- Afford to retire earlier. Or, wait until later (age 70) to maximize your Social Security monthly benefit.[4]
- Buy a new home that better fits your needs.

[4] Social Security benefits estimator available at www.ssa.gov/estimator

Is It Right for Me?

A reverse mortgage may not be the right solution for everyone. However, if you are looking for ways to maximize your retirement savings and income, it is worth considering as part of a balanced retirement plan.

There are different types of reverse mortgage products to fit your specific needs.

Is it Right for Me?

You can choose to receive your funds as:

- ### A Line of Credit

Use your proceeds now or access them in the future when you want or need them.

  - You are charged interest only on the proceeds you have drawn.
  - A reverse mortgage line of credit cannot be reduced or revoked, as long as the terms of the loan are met. Plus, the unused balance in the line of credit grows, giving you more available funds.

- ### A Lump Sum Payout

Use your proceeds to improve cash flow by paying off an existing mortgage or other debt, cover a large expense or finance a new home.

- ### Monthly Payments

Supplement your retirement income by receiving a payment each month – either for a set period of time or as long as you live in your home.

- ### A Combination of These

Case Study

The Situation

Mary and John, both age 70, have an appraised home value of $300,000 and no mortgage. They have saved well for retirement, but could use some extra funds to improve their financial flexibility. They'd also like to establish a cash reserve that will give them easy access to additional funds should they need them, to avoid dipping into income-producing invested assets.

Case Study

The Solution

Mary and John qualify for $156,450 in reverse mortgage funds. They opt to receive a steady stream of payments of $500 per month, for as long as they live in their home. This helps offset their daily expenses and healthcare costs.

After $80,445 are set aside to cover the lifetime advances (known as "tenure payments"), this leaves them with an additional $76,005 that they take as a line of credit, which they can draw upon as needed. As an added benefit, the unused line of credit grows over time, regardless of home value—providing more available funds. If their expenses increase in the future, they can change the amount of the tenure payments (thereby reducing the line of credit); or they can draw funds from their credit line.

25 Smart Uses for A Reverse Mortgage

1. Pay off your traditional mortgage to reduce your monthly expenses.
2. Re-model your home to accommodate changing needs as you age.
3. Maintain a line of credit (that grows) for health care & emergencies.
4. Cover monthly expenses while holding on to your assets to let values grow.
5. Cover monthly expenses and avoid selling assets at depressed values.
6. Pay for health insurance in early retirement until Medicare eligible at 65.
7. Pay your Medicare Part B and Part D costs.
8. Combine life tenure payments with Social Security and income generated by savings and assets to replace your salary and maintain your monthly routine of paying bills on time.
9. Pay for your children's/grandchildren's college or professional education.
10. Maintain a "standby" cash reserve to get you through the ups and downs of investment markets and give you more flexibility

25 Smart Uses for A Reverse Mortgage

11. Combine proceeds with sale of your home to buy a new home, without taking on new monthly mortgage payments associated with a traditional mortgage.
12. Pay for long-term care needs
13. Fill the gap in a retirement plan caused by lower than expected returns on your assets.
14. Pay for short term in-home care or physical therapy.
15. Pay for developing a retirement plan, estate plan or a will.
16. Convert a room or basement to a living quarters for an aging parent or caregiver.
17. Set up transportation arrangements for when you are no longer comfortable driving.
18. Create a set aside to pay real estate taxes and property insurance.
19. Defer collecting Social Security benefit until eligible for the maximum benefit at age 70 1/2.
20. Eliminate credit card debt and avoid building new debt.
21. Cover expenses in between jobs or during career transition without utilizing other saved assets.
22. Cover expenses and avoid capital gains tax consequences of selling off other assets.
23. Purchase health-related technology that enables you to live at home alone.
24. Pay for an Uber or Lyft account so you have mobility and freedom in retirement.
25. Help your adult children through family emergencies.

Is it Right for Me?

Does My Home Qualify?

Eligible property types include:

- Single-family homes
- Two- to four-unit properties (One unit must be owner-occupied)
- Manufactured homes (built after June 1976, titled and taxed as real property under state law)
- Condominiums and townhouses. Co-ops do not qualify.

Is it Right for Me?

Are There Special Requirements?

✓All borrowers on the loan must be at least 62 years old, your home must be used as your primary residence and you must have built sufficient equity.

✓Before applying, you must receive reverse mortgage counseling from an independent exam-qualified counsel who is employed by an agency approved by the U.S. Department of Housing and Urban Development (HUD).

✓You'll need to work with your loan originator to assess your finances and make sure you can fulfill your monthly obligations, such as insurance and real estate tax payments

Q: How Does the Interest Work?

- You are charged interest only on the proceeds that you have drawn.
- Fixed and variable interest rates are available.
- Interest is not paid out of your available loan proceeds, but instead is added to the balance of the loan (the amount owed) and compounds over the life of the loan until repayment occurs.

Q: When Does It Have to be Repaid?

- The loan balance is due to be paid when the youngest person on the loan and title (or an eligible non-borrowing spouse) no longer uses the home as a primary residence (moves away for 12 months), sells the home, or passes away.
- The reverse mortgage is a non-recourse loan, which means that you, or your heirs, will never owe more than the current value of the home.
- If the loan balance is less than the current value of the home, the remaining equity is retained by the homeowner or estate (if the home is sold).

Q: What If I Have Current Mortgage?

- You may qualify for a reverse mortgage even if you still owe money on an existing mortgage.
- However, any existing indebtedness must first be paid off.
- You can pay off the existing mortgage with your reverse mortgage proceeds, money from your savings, or assistance from a family member or friend.

NewReverseMortgage

A Smart Choice

THANK YOU