5TH ANNUAL
Financial Advisor
RETIREMENT SYMPOSIUM

Reverse Mortgage Opportunities

MODERATOR

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HECM Evolution

Home Equity Conversion Mortgage (HECM) – a.k.a. Reverse Mortgage

- FHA insured since 1987
- Provides easy access to home equity for homeowners age 62+
- Limited access to home equity based on age and interest rate
- Required independent counseling protects homeowner with knowledge
- 3-day right of rescission further protects homeowner's decision
- Funds can be used for a wide variety of needs

  Note: Reverse Mortgage proceeds are not to be used for estate planning services, as defined by the U.S. Department of Housing and Urban Development (HUD).
- Homeowner has maximum flexibility: Funds can be taken as a lump sum, monthly advances, and/or line of credit (LOC)
- Recent changes limit initial utilization of funds, to encourage long-term access to home equity and potential credit line growth
- A Reverse Mortgage is an almost perfect retirement tool that is still, today, largely misunderstood

Retirement Utilization Strategies

- Delay Social Security
- Keep other investments within retirement portfolio longer
- A Reverse Mortgage can serve as a great safety net for aging in place

Delay Social Security

John, age 62 and currently earning $80,000/year, wants to delay collecting Social Security to age 66, which will increase his monthly benefit from $1,426 to $2,186.

- He has an appraised home value of $300,000 and no mortgage.
- John qualifies for $145,065 in reverse mortgage funds.
- He decides to take term payments in the amount needed to “bridge the Social Security gap” — which is $68,448 (at $1,426/month x 48 months).
- He opts to keep the remaining funds available as a line of credit that he plans to treat as a cash reserve for emergencies and future needs.
- During the first year of his reverse mortgage, he can access a line of credit in the amount of $66,993; after the first year, he can access an additional $17,491, for a total of $84,484 plus growth on any unused line of credit funds.

Safety Net for Aging in Place

Jane, age 70, has an appraised home value of $300,000 and no mortgage. She qualifies for $156,450 in reverse mortgage funds.

- She opts to receive her proceeds as tenure payments of $500 per month, for as long as she lives in her home. This enables her to cover in-home care expenses—such as help with shopping, monitoring her medications, and light housekeeping.
- After a set-aside of $80,445 to cover lifetime advances (tenure payments), this leaves her with an additional $76,005 that she chooses to take as a line of credit that she can tap as-needed.
- Unlike a traditional Home Equity Line of Credit (HELOC), a reverse mortgage line of credit cannot be reduced or revoked, as long as the terms of the loan are met—so it's sure to be there if she needs it.
- The unused line of credit grows over time, at a rate of 1.25% more than the interest rate on the loan, regardless of home value—providing more available funds.
- If Jane's expenses increase in the future, she can change the amount of her tenure payments (thereby reducing her line of credit); or she can draw funds from her credit line.

Assumptions

Delay Social Security: Illustration is for educational purposes only and assumes a borrower age 62 who resides in California and an adjustable initial interest rate of 2.403% with a margin of 2.250% with financed fees in the amount of $7,334.95. Note: Rates may increase for adjustable rate loans. Rate quote generated on 04/09/2014. Rates are subject to change.

Safety Net for Aging in Place: Illustration is for educational purposes only and assumes a borrower age 70 who resides in California and an adjustable initial interest rate of 2.403% with a margin of 2.250%, and financed fees in the amount of $8,249.95. Note: Rates may increase for adjustable rate loans. Rate quote generated on 04/09/2014. Rates are subject to change.

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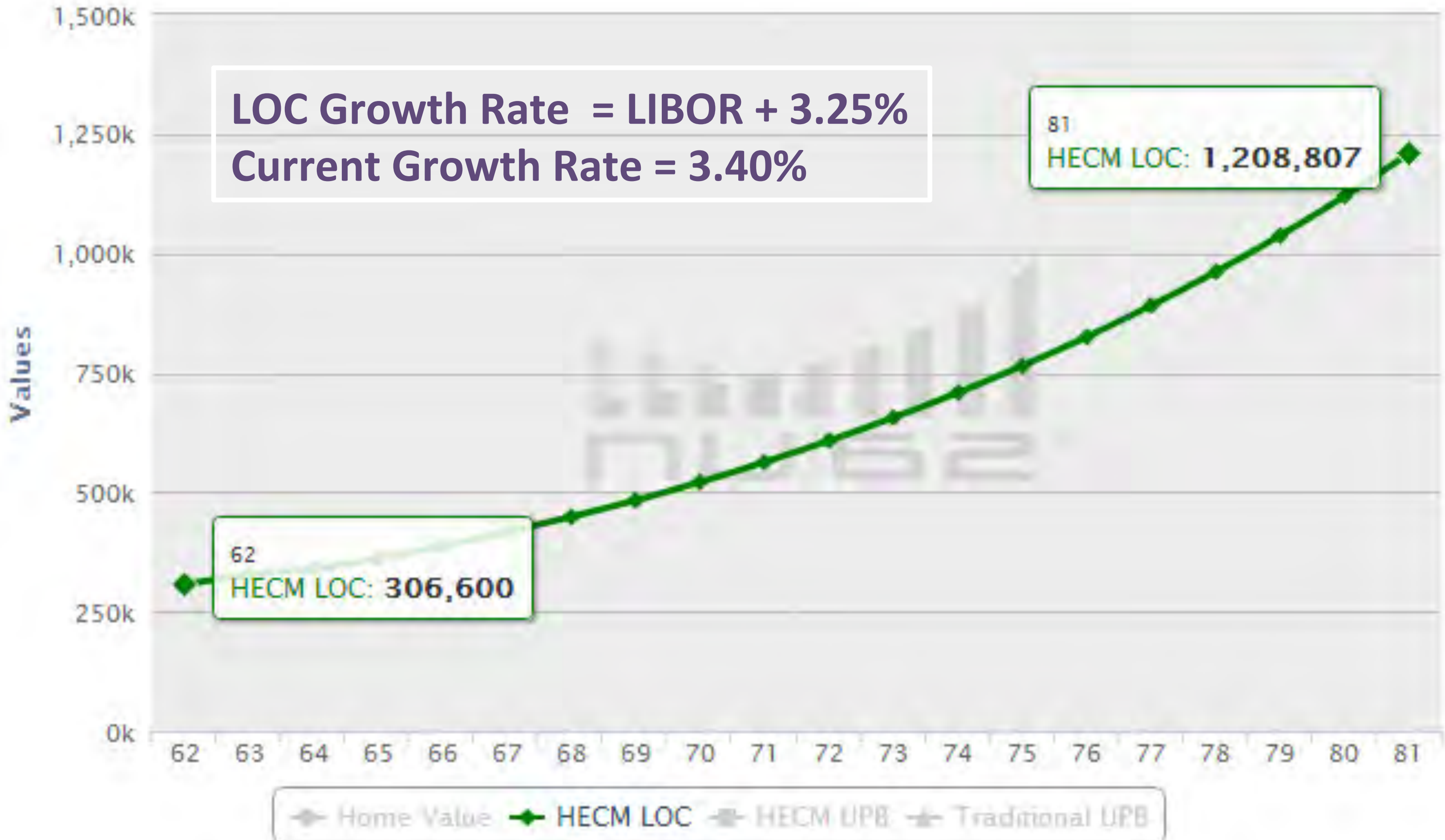
HECM LINE-OF-CREDIT ***GROWTH***



HOME EQUITY USE STRATEGIES

SUPPLEMENTAL INCOME STRATEGY:
Drawing consistent monthly payments from home equity in lieu of drawing down on your portfolio

INCOME OPTIONALITY STRATEGY:
Making monthly payments into a line-of-credit in order to take advantage of the compounding growth for potential use in later retirement years.

PORTFOLIO MANAGEMENT STRATEGY:
Drawing upon home equity during times of market decline in order to reduce strain on your portfolio and increase the likelihood of portfolio recovery as the market recovers

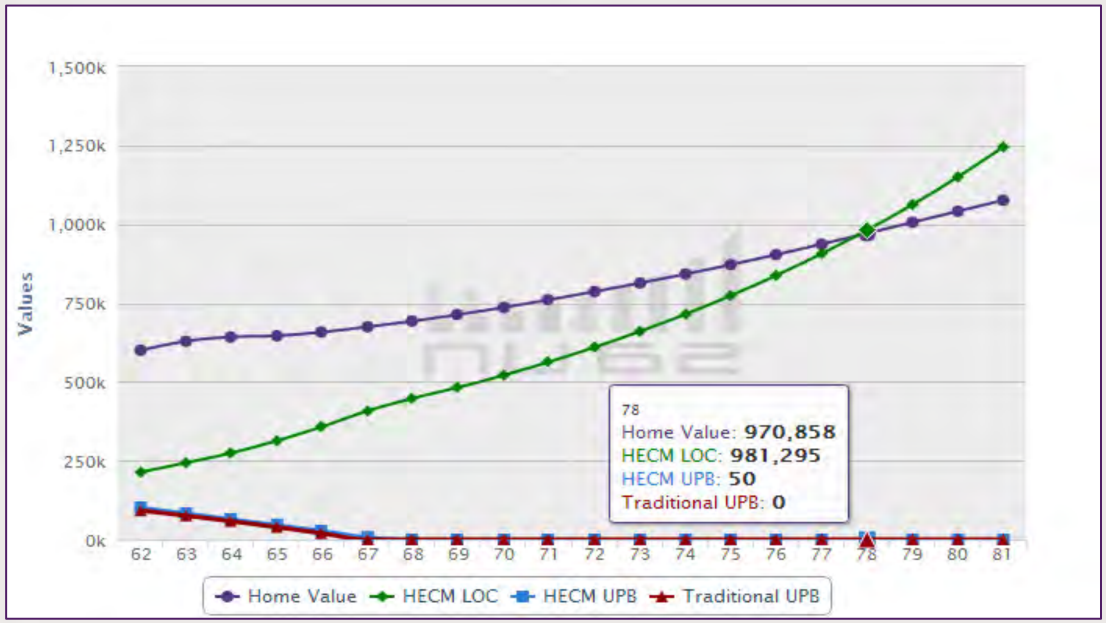
ASSET MANAGEMENT STRATEGY:
Same as "Portfolio Management Strategy" with the modification of paying back the home equity funds upon market recovery

BARBARA
Business Owner

Age: 62
New York, New York

Portfolio: $1,000,000
Home Value: $600,000

"I want to create an option to draw upon home equity in the future if needed."



HOME EQUITY USE STRATEGIES – ONLINE RESOURCES

Journal of Financial Planning

- Standby Reverse Mortgages: A Risk Management Tool for Retirement Distributions
  by John Salter, Ph.D., CFP®, AIFA®; Shaun Pfeiffer; and Harold Evensky, CFP®, AIF®

- Reversing the Conventional Wisdom: Using Home Equity to Supplement Retirement Income
  by Barry H. Sacks, J.D., Ph.D., and Stephen R. Sacks, Ph.D.

- The 6.0 Percent Rule
  by Gerald C. Wagner, Ph.D

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