WHEN SHOULD YOU CONSIDER A HECM REVERSE MORTGAGE?

Social Security Supplement

- Social Security was never meant to be the sole source of income in retirement, yet 23% of married couples and 46% of single people receive 90% or more of their income from Social Security.*
- The HECM monthly check can mean the difference between financial hardship and comfortably staying in your home.
- The HECM monthly check comes to you for as long as you are in the home. You must continue to pay your property tax, homeowner insurance policy, and keep the home from disrepair.**

Mortgage Debt

- 68% of Baby Boomers will carry a mortgage payment into retirement.***
- A rate and term refinance comes with the most flexible payment plan of any mortgage. Imagine the flexibility of deciding whether or not you want to make a payment each month.
- As you make payments you also create a growing line of credit for future use.
- The ability to suspend payments offers tremendous security in the event of a spending increase, income loss, or life.

Line of Credit Security

- Many retirees are not prepared for income loss or increased spending. A line of credit unlocks the home equity as security.
- The unused portion of the HECM Line of Credit grows in availability.
- The Line of Credit cannot be cancelled or frozen no matter what happens to the property value.
- A HECM LOC provides ultimate flexibility in diversifying funding sources, reducing market risk, controlling tax liabilities, and enhancing your wealth. The proceeds are tax-free.

Moving

- Moving in retirement is a common and attractive option to many. 64% of retirees are likely to move at least once in retirement. 33% of Baby Boomers and Seniors are upsizing rather than downsizing.*
- Paying cash in a downsize can leave you with less liquidity and a market down turn could affect your legacy.
- Using your portfolio to upsize could impact your security long term.
- Using the HECM in a purchase transaction can increase your liquidity and allow you to increase your buying power.

Terms and conditions may apply. Subject to underwriting approval. * http://www.ssagov/news/press/basicfact.html **If applicable, flood insurance, homeowner association dues, or any other obligation. ***Reverse Mortgage Market Index's National Reverse Mortgage Lenders Association and RiskSpan

Call or email today to see if a HECM could benefit you!

Bill Binkey
NMLS 214866
Loan Officer / Reverse Mortgage Specialist
billbinkey@vipmtginc.com
In Prescott - 928-237-9599
billbinkey.vipmtginc.com
9221 E Via de Ventura Scottsdale, AZ 85258

V.I.P MORTGAGE INC

5 Ways a Reverse Mortgage Can Help Your Retirement

By Neil Krishnaswamy October 12, 2016

The old notion that reverse mortgages should only be taken out as a last resort simply is no longer true today. In fact, I believe there are five ways reverse mortgages can improve your retirement income plan.

First, a definition: A reverse mortgage is a way to convert home equity from your primary residence into a usable resource if you are at least 62. It is truly a mortgage in reverse. The lender provides a benefit based on the amount of equity you have in the home. Unlike a traditional mortgage, payback is optional. But you do need to make timely payments of property taxes and homeowners insurance.

There is a healthy skepticism about reverse mortgages, and that's not necessarily bad, because people *should* exercise caution when utilizing debt. But reverse mortgages can improve retirement spending outcomes in a sensible way.

A reverse mortgage can produce a "bridge" income to replace all or a portion of the income Social Security would have provided.

Here are five ways a reverse mortgage can improve a retirement income plan:

1. Spending Coordination With Your Portfolio

For retirees making withdrawals from their investment portfolios, one of the biggest risks is enduring a period of negative stock market returns in the early years of retirement. Since they need to use the portfolio to fund living expenses, these retirees can be forced to sell investments at inopportune times.

Reverse mortgages can help mitigate this risk because they have have a feature called a standby line of credit. How big this line of credit is depends on factors such as size of your mortgage, your age at the time of loan origination and interest rates. It's possible for someone with a mortgage-free home worth $500,000 to obtain a reverse mortgage line of credit worth nearly half his home equity, or $250,000.

This line of credit can be used as a buffer to protect against adverse portfolio returns early in retirement. You can coordinate spending between your portfolio and your reverse mortgage based on what the market environment dictates.

For instance, you could spend from the portfolio in years of positive returns and spend from the reverse mortgage (through line of credit access) when the portfolio has dropped by a pre-defined target, such as 10 percent.

When you access the line of credit, your reverse mortgage balance increases. You can choose to pay down this mortgage at any time, but that typically would occur when your portfolio returns are positive.

2. Bridge Income for Delaying Social Security Benefits

Many financial planners recommend clients delay claiming Social Security benefits for as long as possible, up to age 70. That's because benefits increase roughly 6 to 8 percent per year for delaying claiming between ages 62 and 70.

Social Security benefits can be claimed as early as age 62, though, leaving someone a potential eight-year window without a stable source of non-portfolio income. Setting up a reverse mortgage with a term payout that lasts eight years is one idea to consider in this scenario. It can produce a "bridge" income to replace all or a portion of the income Social Security would have provided.

3. Funding to Pay Taxes for Roth IRA Conversions

Reverse mortgages can also help retirees who roll over their traditional IRAs or 401(k)s to Roth IRAs. In this process, you pay taxes upfront to create a tax-free income source for the future.

Roth IRA conversions are an intriguing option, especially for those who've retired but are not yet 70 ½ — the age when IRS required minimum distributions begin. By systematically taking distributions from the traditional IRA, paying the taxes and converting the proceeds into a Roth IRA, you can spread out the tax consequences and possibly save significant taxes in the long run.

The challenge to executing this strategy is coming up with the upfront cash to pay the taxes. This is where a reverse mortgage comes into play. After-tax investment or cash accounts may be limited, but you could use reverse mortgage income.

4. Providing Larger Inheritances for Heirs

You might think the upfront costs and compounding interest in a reverse mortgage would significantly reduce an inheritance you hope to leave your heirs. This could be true, but it is not necessarily so.

Upfront costs consist of closing costs, a mortgage insurance premium and origination fees. That could total around $10,000 upfront, the majority of which can be financed into the loan. The ongoing borrowing costs, in today's environment, could total between 4 and 5.5 percent annually on outstanding mortgage balance. (Remember: payback of interest and principal is optional.)

While these costs may seem high, consider that the home is a single, undiversified asset. Using the home to create retirement income, instead of a diversified investment portfolio of stocks, could lead to a higher overall inheritance.

One of the overlooked benefits of a reverse mortgage is that its' a protective hedge against the value of your home. In other words, your borrowing capability grows regardless of the price of your home. Even if the home price plummets, you can keep generating retirement income. When the house eventually needs to be sold, such as after the death of the second spouse, your heirs won't be on the hook for the debt.

5. Contingency Fund for Unexpected Spending Needs

In retirement, you could run into unexpected expenses. Your health could take a turn for the worse. A dear family member might need financial support. An injury or sickness might require long-term care.

Having access to a reverse mortgage line of credit could make a tremendous difference in such instances. Regarding long-term care costs, a reverse mortgage is typically more suited to pay for in-home care than nursing home care. That's because you might not be allowed to keep a reverse mortgage open if you're in a nursing home for more than a year.

A reverse mortgage could also help cover all, or a portion, of your long-term care insurance premiums.

By Neil Krishnaswamy
Neil Krishnaswamy is a financial planner at Exencial Wealth Advisors in Frisco, Texas.

Next Avenue brings you stories that are inspiring and change lives. We know that because we hear it from our readers every single day. One reader says,

"Every time I read a post, I feel like I'm able to take a single, clear lesson away from it, which is why I think it's so great."

Your generous donation will help us continue to bring you the information you care about. What story will you help make possible?

v.i.p.
MORTGAGE, INC.

ere to send me files securely

Bill Binkey
HECM Loan Officer
V.I.P. Mortgage, Inc
9221 E Via de Ventura
Scottsdale, AZ 85258

928-237-9599
928-863-2095
billbinkey@vipmtginc.com