

CASE STUDY 6

REVERSE MORTGAGE



CASE STUDY HIGHLIGHTS

CLIENT SCENARIO

Husband aged 69 and Wife aged 70 living in a home suitable to their retirement needs and lifestyle. They plan to remain in this home for the remainder of retirement. They would like to have more flexibility in their retirement to travel, more freedom in monthly cashflow. They are concerned about long term care, and they do not have long term care insurance. Longevity runs in both sides of the family. Their home is worth \$700,000 with an outstanding loan balance of \$118,000 and a monthly payment of \$700. Client has been retired for 7 years.

ASSETS

Clients have \$480,000 in retirement assets.

INCOME

Taking \$2100 per month from financial assets. Social security-\$3300 per month.

OPTIONS

1. **Increase withdrawals on invested assets:** Clients are already taking a 5.25% withdrawal rate on their retirement portfolio. Increasing withdrawals increases risk of asset depletion.
2. **Take out a HELOC to fund cashflow needs:** Using a HELOC to create monthly cash flow is self-defeating because of the monthly payment requirement. Additionally, HELOC's can be cancelled or frozen and the draw period is limited to 8-10 years.
3. **Use a reverse mortgage to create liquidity:** Clients improve their annual cashflow by \$8,400 per year. This allows more freedom to travel and have greater flexibility in their monthly finances. In addition, clients have access to a growing line of credit of \$162,228 that can be accessed tax-free for long term care purposes. If they defer taking access to this money in year 10 the line is worth \$293,692 which can be used to support potential LTC needs.

SUMMARY

Clients were very happy to increase their monthly cashflow and add some flexibility in lifestyle. In addition, they were relieved to know they have access to additional money to fund long term care or other future expenses. This line of credit could also work as a buffer asset to reduce or supplement income from financial assets.

FOR MORE INFORMATION, PLEASE CONTACT US



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