CASE STUDY 7

REVERSE MORTGAGE

CASE STUDY HIGHLIGHTS

CLIENT SCENARIO

Husband aged 63 and Wife aged 62. Both are still working but looking to retire in the next 3-5 years depending on the financial markets and their ability to continue to meet the demands of their work. They are focused on saving money, planning for future retirement income, and trying to determine when to begin taking social security payments. House is worth $775,000, outstanding mortgage balance of $143,000 with a payment of $833 per month. The loan will mature in 21 years.

ASSETS

$375,000 in 401(k), $94,000 IRA, $27,000 in savings

INCOME

Total household income currently $135,000. Social Security - $3990 (if taken in 3 years)

OPTIONS

1. **Continue making mortgage payments until loan matures:** Payments could be challenging once retired and living on social security and income distributions. Cost to payoff outstanding mortgage balance over next 21 years will total $209,916.
2. **Wait until retirement to consider financing a reverse mortgage:** If interest rates increase and or home values decline the calculation for the reverse mortgage will reduce what is available for financing. In addition, they lose the benefit of paying into the growing reverse line of credit.
3. **Finance a reverse mortgage using the Hybrid strategy:** With this option client refinances into a reverse mortgage and continues making the same monthly payment as the traditional mortgage for the next three years until they trigger social security payments. By paying the reverse mortgage they are increasing the amount of money available in the line of credit for future retirement income needs. Following the third year the clients have $186,641 available in the reverse line of credit and no mortgage payments for life.

SUMMARY

These clients took advantage of an advanced planning strategy. Rather than paying a traditional mortgage prior to retiring they chose to refinance and pay the reverse mortgage. The end result is a larger amount of money available for future retirement needs, greater liquidity and security of having a loan in place they can quit paying at any time if they decide to retire earlier than expected.

FOR MORE INFORMATION, PLEASE CONTACT US

REVERSE FREEDOM MORTGAGE

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