

CASE STUDY 8

REVERSE MORTGAGE



CASE STUDY HIGHLIGHTS

CLIENT SCENARIO

Widow aged 72. She is desiring to purchase a new home, her current home is too big, has too many stairs and requires maintenance that she is not able to handle. She would like to move to a single level home and does not want to have a mortgage payment. Her current home is worth \$575,000 with an outstanding loan balance of \$55,000 and monthly payment of \$400.

ASSETS

\$150,000 in savings and IRA

INCOME

Social Security - \$2480/mo., Pension \$600/mo.

OPTIONS

1. **Sell current home and purchase new home for cash:** She can sell her current home and after real estate fees and current mortgage loan payoff she will net \$485,500. She would need to purchase at \$465,000 to have enough money to pay for the house and closing costs. With current home values she is unable to find a suitable home and homes at this price need a lot of work and are in less favorable neighborhoods. This option will utilize all her proceeds leaving her without any additional liquidity to support her retirement.
2. **Sell current home and purchase new home with a reverse mortgage:** With the reverse mortgage she can increase her purchase price to \$600,000 while finding a home that is suitable to her needs. She is required to bring in \$357,000 cash to close the purchase. The reverse mortgage will cover the difference. As a result, she has an additional \$128,500 liquid from the proceeds of her sale to help support her retirement. She has no monthly mortgage payment required on the reverse mortgage loan but will still need to pay property taxes, homeowner's insurance and HOA dues.

SUMMARY

This client was able to meet all her objectives while also strengthening her retirement. In the process of this transaction, she was able to lower her monthly expenses by \$400 per month and increase her retirement savings from \$150,000 to \$278,500. Additionally, she is living in a higher value single level home that is more suitable to age in place.

FOR MORE INFORMATION, PLEASE CONTACT US



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