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Reverse Mortgages- Why?

If you are a Life, Health, Annuity or Long Term Care Specialist or, perhaps a Financial Planner, College Funding or Retirement Advisor who wonders “Why would I want to add Reverse Mortgages to my practice?” Please read on!

Finding the premium to fund your strategies has always been an obstacle to overcome. Even your wealthier prospects will hesitate or look for tax-deductible ways to fund their insurance or accumulation and investment programs. Look no further! Senior Market, age 62 and up, now has the perfect solution at their disposal. Thanks to HUD, the new Home Equity Conversion Mortgage Program (HECM) is available to them. Most don’t know the significant advantages it can bring.

Consider the following:

- Monthly or annual income that continues as long as they stay in their home or they sell and move.
- This money is also available in lump sum or as a line of credit, and it is TAX-Free!
- No income or credit verification needed.
- No payments for the senior to make – ever!
- If they have an existing mortgage or equity loan, you can help them by eliminating it with the tax-free proceeds from a HECM!
- Your client never gives up ownership of their home.

Imagine what you can do as their advisor to improve their lifestyle and/or provide asset protection and planning needs. Examples:

(1) \$100,000 of equity proceeds for a male age 68 NS would create \$405,000.00 of tax-free death benefit through a single premium life insurance policy. Even though there is a loan against the property, the net result is a positive gain for the inheritance they plan to provide to their family or through their trust.

(2) Same as above, only a charitable donation with this tax-free money and now having a tax deduction as well. What a great feeling to make this donation while alive instead of the usual method of waiting until death. You could split the \$100,000 into cash for donation and monthly premiums into the life insurance contract to replenish the estate, thereby providing a bequest while alive!

(3) Long Term Care – Establishing a \$100,000 line of credit will create the cash flow for most of the annual LTC premium. A 68 year old could buy \$150 per day w/ compounding on a ten-pay basis. The balance in the line of credit earns interest at .50 basis points greater than the loan rate. And you have used tax-free proceeds to buy the LTC policy.

(4) Or provide LTC Coverage through a single \$100,000 transfer into a linked-benefit life insurance policy. What an advantage here, as the proceeds will be paid out either through LTC or Life Insurance, and if your client ever needs their \$100,000 back, it is guaranteed and available at any time!

(5) Annuity – Lifetime Income (20-year certain) from a \$100,000 SPIA would provide \$618.00 monthly with an exclusion ratio of 67.33%. Although the reverse mortgage could provide a monthly payment of \$603.00 tax free, it would stop at the sale of their home. The SPIA would continue beyond that until death. Or, perhaps, a split annuity concept would provide supplemental income and the preservation of principal via the build-back on the deferred annuity. Or, a bonus annuity could provide enough bonus to offset the set-up charges of the HECM program, which would be \$8,570.00 for the \$100,000 loan.

(6) Problem Solver – Your client has been tapping into their investment account to make up for the reduced income the market correction created. Their need to preserve lifestyle means a declining retirement nest egg. You would rather they stay in the market for the gains you know will come back if given more time. Solution: Reverse Mortgage!

These are only a few examples of how you can help your senior clients tap into a significant funding instrument – their home. How can you provide advice and planning strategies without incorporating the largest asset they own. Remember, a “paid off” home will continue to appreciate whether there is a loan or not. The seniors have their money “locked up” at zero interest when use of their equity could mean so much to the rest of their lives and their family. There are more details than this article can provide.

Underwriters Marketing Service, Inc. is a national marketing organization supporting brokers for over 20 years.

You can learn how to be compensated for reverse mortgage sales by contacting Mary Ann at (800)524-1774, or malg@callums.com. We will also send you a booklet on what seniors need to know about Reverse Mortgages.



Note: Figures quoted as of 9/1/04

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