

Financial advisors who want to grow their business need to know how to help clients leverage their housing wealth - Ed Slott, CPA

How Reverse Mortgages Have Changed Planning

CONVERSATIONS

Inside

- *Pierce and Linda IRA Case Study*
- *The Reverse Mortgages' Secret Weapon*
- *Eliminating a Mortgage Payment*
- *Structured Roth Conversion Conversation*
- *10 Questions to Ask Clients*



Don Graves, RICP® , CLTC® , CSA, IRMAACP™



Scan Here for Bonus Resources

Article: 7 Ways Reverse Mortgages Improve Social Security | Innovative Approaches to Strengthen Retirement Outcomes

Video: Dr. Wade Pfau Answers 7 Questions About the Newly Restructured Reverse Mortgages

Case Study: HECM Mitigates Portfolio Volatility and Preserves Assets Under Management Fees

Article: 10 Reasons to Eliminate Mortgage Payments in Retirement | Unlocking the Power of the Modern Reverse Mortgage

Video: Don Graves' Masterclass | Using Your Home to Dramatically Improve Retirement Outcomes

Article: Reverse Mortgages Can Help a Retiree's "Silver Divorce" - Tom Davison Shares His Thoughts

Video Playlist: The Case for Reverse Mortgages in Retirement Income Planning

Tool: Customized Housing Wealth Illustrator Access

Meet Pierce and Linda

Age 65, living in the Greater Chicago area. Linda is retiring from her role as a school secretary, and Pierce plans to retire from his position at the Gas company by year-end. They have two grown children and, as they prepare for retirement, they are concerned about their financial situation and want to explore all their options.



Their Financial Snapshot

Total Retirement Savings:

- \$700,000 in Qualified Funds (401k, IRA, etc.)
- \$100k in Non-Qualified Funds

Home Value

- \$650,000, with a remaining \$100,000 loan
- Monthly Mortgage Payment: \$1,200 (Principal and Interest)



Income Options from Qualified Funds:

Desired Initial Income:

- 5-6% of savings = \$35,000 - \$42,000 annually

Advisor-Recommended Income:

- 3-4% of savings = \$21,000 - \$28,000 annually

TV Financial Guru's Recommendation:

- 8-9% of savings = \$56,000 - \$63,000 annually





Today's Retirement:

Longer, More Expensive, and Less Predictable

Pierce and Linda's Concerns

As Pierce and Linda approach retirement, they face several important financial considerations. They need to ensure they have sufficient income to maintain their lifestyle while also preserving enough retirement savings to last throughout their lifespan. A key concern is protecting their assets from premature erosion due to market volatility, inflation, unexpected expenses, and sequence of returns risk.

Additionally, they need a plan for covering potential long-term care events, which could be a significant financial burden in the future. Pierce and Linda are also mindful of rising tax rates and are looking for strategies to mitigate their tax liability in retirement. Finally, they want to ensure that they can leave a meaningful legacy for their heirs, without compromising their own financial security.

In today's world, retirement is lasting longer, becoming more costly, and filled with uncertainties. Having every available resource at your disposal is essential to navigating these challenges successfully. Below is a list of key signs that you may run out of money in retirement, along with how a reverse mortgage line of credit can provide a solution.

14 Signs You Will Run out of Money in Retirement

(Source: Yahoo Finance)

1. You Don't Have a **Long-Term Care** Plan
2. You Underestimated Your **Life Expectancy**
3. You Didn't Plan for High **Healthcare** Costs
4. You Didn't Take **Inflation** into Consideration
5. You Didn't Factor in **Big-Ticket Items**
6. You Changed Your **Spending Habits**
7. You **Loaned Money** to Your Kids
8. You Spoiled Your **Grandkids**
9. You Didn't Take **Taxes** into Consideration
10. You Didn't Consider Fees
11. You Got **Divorced**
12. You Took on New **Debt**
13. You **Withdraw** Too Much Money Each Year
14. You're Not Taking **Market Fluctuations** into Account



The Power of the Growing Line of Credit

A reverse mortgage allows homeowners 62 and older to convert part of their home's value into cash without selling, giving up ownership, or taking on a new mortgage payment.

One of the unique features of a reverse mortgage is that the unused portion of the line of credit **grows over time**. The chart below shows the initial line of credit and its projected growth for a \$650,000 home in 2020, 2022, and 2024.

HECM Line of Credit Growth Projections

	2020	2022	2024
65	\$268,300	\$232,550	\$201,350
70	\$346,475	\$315,632	\$287,218
75	\$447,427	\$428,396	\$409,705
80	\$577,795	\$581,446	\$584,428
85	\$746,147	\$789,176	\$833,664
90	\$963,553	\$1,071,121	\$1,189,190
95	\$1,244,304	\$1,453,794	\$1,696,333

\$650,000 House | Expected Interest Rate: 6.625%



How a Reverse Mortgage Line of Credit Can Help

A reverse mortgage line of credit may offer a flexible solution for healthcare costs, long-term care, unexpected expenses, and market fluctuations. It could be used to cover large purchases, offset inflation, and help manage income without depleting retirement savings. This provides peace of mind, allowing your clients to support loved ones while securing their financial future.



How Much Can Your Client Receive? Test Your Knowledge

To find out how much money a client may be eligible for, find the nearest age of the youngest spouse, the closest value of the home, and that will give you a ballpark benefit amount.



Let's try a few on for size:

Age	\$400,000	\$600,000	\$800,000	\$1,000,000
65	\$126,400	\$192,600	\$258,800	\$325,000
70	\$140,800	\$214,200	\$287,600	\$361,000
75	\$152,400	\$231,600	\$310,800	\$390,000
80	\$170,800	\$259,200	\$347,600	\$436,000
85	\$196,000	\$297,000	\$398,000	\$499,000

Fill in the Blank:

- *Paul and Mary, age 74, \$608,000 home value:*

.....

- *Emily, age 62, \$594,000 home value:*

.....

- *Bob and Grace, ages 77 and 72, \$930,000 home value:*

.....

*Want the answers? Request a Housing Wealth Illustration:
www.HousingWealthPro.com*

Determining Pierce and Linda's Initial Benefits

The amount of money a reverse mortgage makes available is determined by three key factors:

1. The **age** of the youngest spouse,
2. The **value** of the home, and
3. The current **interest** rate.

Based on these factors, Pierce and Linda would be eligible for an initial reverse mortgage benefit of **\$216,300**.

The "**Line of Credit**" (**LOC**) column in the chart shows the projected growth of the unused portion of the line of credit over time. Other columns illustrate options for receiving monthly payments, either for the life of the loan or for 5- or 10-year periods, depending on their needs.



Age	LOC Amount	Tenure Payment	5 Year Term	10 Year Term
65	\$216,300	\$1,326	\$4,227	\$2,462
70	\$300,968	\$1,927	\$5,881	\$3,426
75	\$418,779	\$2,859	\$8,814	\$4,767
80	\$582,706	\$4,382	\$11,387	\$6,633
85	\$810,801	\$7,104	\$15,844	\$9,230
90	\$1,128,180	\$12,842	\$22,047	
95	\$1,569,795	\$30,677		

To receive a Customized Housing Wealth Illustration,
visit www.HousingWealthPro.com



Benefits of Eliminating a Mandatory Monthly Mortgage Payment

With a reverse mortgage, the existing home loan must be paid off first. From their **\$216,300** initial benefit, Pierce and Linda would use **\$100,000** to pay off their current mortgage, leaving them with a growing line of credit of **\$116,300**. This not only frees up equity but also opens up 10 other possibilities. I recently wrote an article for Retirement Daily | The Street titled "10 Reasons to Eliminate a Mortgage Payment in Retirement," and here's how eliminating their mortgage payment benefited Pierce and Linda:

Initially, Pierce and Linda aimed for a 6% withdrawal rate, seeking **\$42,000** annually. However, their advisor considered this rate too aggressive for maintaining their nest egg long-term. By eliminating the need to withdraw **\$18,000** (pre-tax dollars) annually to cover their mortgage payment, they can now achieve their desired **\$42,000** lifestyle by only withdrawing **\$24,000** from their savings. In other words, they can enjoy their retirement lifestyle while reducing the strain on their savings—essentially allowing them to "have their cake and eat it too."

Here's how it breaks down:

1. **\$1,200** in after-tax dollars recaptured monthly
2. Equivalent to **\$1,500** in pre-tax dollars
3. **\$18,000** in retained savings annually



Age	LOC Amount	Tenure Payment	5 Year Term	10 Year Term
65	\$116,300	\$713	\$2,273	\$1,324
70	\$161,824	\$1,036	\$3,162	\$1,842
75	\$225,169	\$1,537	\$4,400	\$2,563
80	\$313,309	\$2,356	\$6,123	\$3,566
85	\$435,951	\$3,820	\$8,519	\$4,963
90	\$606,599	\$6,905	\$11,854	
95	\$844,046	\$16,494		

Roth Conversion Strategy

Now that Pierce and Linda have experienced the immediate benefits of eliminating their mandatory monthly mortgage payment, there are many other strategies available to enhance their retirement plan.

One of their main concerns was the potential impact of future tax rate increases on their qualified funds, such as their 401(k) and IRAs.

A potential strategy for Pierce and Linda is to use their remaining reverse mortgage line of credit to fund a Roth IRA conversion. By converting a portion of their qualified funds to a Roth IRA, they can reduce their future tax burden. The beauty of using the reverse mortgage line of credit in this way is that it provides a tax-free source of funds to pay for the conversion, avoiding the need to dip into taxable income or deplete other savings.

Example: Roth Conversion Strategy

Let's say Pierce and Linda want to convert \$70,000 from their traditional IRA to a Roth IRA. By using the reverse mortgage line of credit to cover the taxes owed on the conversion, they can complete the process without incurring a large taxable event from their existing income. This strategy allows them to benefit from tax-free growth and withdrawals from the Roth IRA in the future, shielding them from potential tax rate hikes down the road.

By strategically using their reverse mortgage line of credit, Pierce and Linda can not only meet their income needs today but also create a more tax-efficient strategy for the future, helping to preserve their retirement savings and secure their financial legacy.

How to Supercharge Your Roth Conversion with a Reverse Mortgage

Video with David McKnight



Roth Conversion Strategy

Age	Line of Credit	Growth	Withdrawal for Taxes	EOY Balance
65	\$ 116,300.00	\$ 8,722.50	\$ (15,400.00)	\$ 109,622.50
66	\$ 109,622.50	\$ 8,221.69	\$ (15,400.00)	\$ 102,444.19
67	\$ 102,444.19	\$ 7,683.31	\$ (15,400.00)	\$ 94,727.50
68	\$ 94,727.50	\$ 7,104.56	\$ (15,400.00)	\$ 86,432.06
69	\$ 86,432.06	\$ 6,482.40	\$ (15,400.00)	\$ 77,514.47
70	\$ 77,514.47	\$ 5,813.59	\$ (15,400.00)	\$ 67,928.05
71	\$ 67,928.05	\$ 5,094.60	\$ (15,400.00)	\$ 57,622.66
72	\$ 57,622.66	\$ 4,321.70	\$ (15,400.00)	\$ 46,544.36
73	\$ 46,544.36	\$ 3,490.83	\$ (15,400.00)	\$ 34,635.18
74	\$ 34,635.18	\$ 2,597.64	\$ (15,400.00)	\$ 21,832.82
75	\$ 21,832.82	\$ 1,637.46	\$ (15,400.00)	\$ 23,470.28
80	\$ 31,343.84	\$ 2,350.79		\$ 33,694.63
85	\$ 44,998.14	\$ 3,374.86		\$ 48,373.00
90	\$ 64,600.65	\$ 4,845.05		\$ 69,445.69

Other Strategic Uses for the HECM Line of Credit:

- Supplement Income
- Contingency fund for unexpected spending shocks
- Income bridge for deferrals
- Reduce insurance premiums
- Manage tax bracket creep
- Buffer asset to manage risk
- Deferred annuity alternative
- Use as cash equivalent
- Support spending after depletion
- Limit portfolio draws to RMDs
- LTCi coverage or supplement

? 10 Questions

Broaching the Subject of Reverse Mortgages with Clients

Do you find it challenging to clearly present the benefits of a reverse mortgage to your clients? I've written an entire book on this topic called "*12 Simple Ways to Introduce the Benefits of a Reverse Mortgage.*" Below are a few proven starter questions that can help determine if a conversation about housing wealth could strengthen their existing retirement income plan, and how it could work.

- 01** If we could use your home to create a backup plan for market risk volatility...
- 02** If your home could be turned into a reserve fund that was growing at 6-8% that could potentially surpass a million dollars...
- 03** If we could use your home to minimize the income taxes you pay in retirement...
- 04** If we could use your home to leave a larger inheritance to your heirs...
- 05** If we could use your home to defer social security for a higher benefit payout later...
- 06** If we could use your home to replace income in case of loss or emergency...
- 07** If we could use your home to create a long-term care plan...
- 08** If your home could be used to increase your cash flow in retirement...
- 09** If eliminating a monthly loan payment meant your retirement savings could last significantly longer...
- 10** If you could turn your mandatory monthly mortgage payment into a voluntary one instead...



Would You Want to See How it Works?



Pierce and Linda Move Adding \$143,000 to Savings

Pierce and Linda have decided to move into a single-story home to stay ahead of any possible health issues that may discourage the use of stairs.

How can a Reverse Mortgage help them? See below for how their move would look using the HECM for Purchase (H4P):

They sell their home, pay realtor costs and transfer tax and have around **\$611,000** leftover (**A**). They pay off their existing mortgage of **\$100,000** (**B**) and have around **\$511,000** in proceeds leftover (**C**).

They find a wonderful single-story home that is just perfect, and its cost is **\$550,000** (**D**).

Pierce and Linda do a reverse mortgage on the NEW house, which made available around **\$182,100** (**E**). They bring the rest of the dollars from their proceeds and have **\$143,100** leftover to add back to their retirement savings.



DEPARTURE HOME

A: \$611,000
B: \$100,000
C: \$511,000



NEW HOME

D: \$550,000
E: \$182,000
Leftover Proceeds
\$143,100

What Others are Saying :

“Financial advisors who want to grow their business need to know how to help clients leverage their untapped wealth. Don continues to make a case for tapping into an underperforming asset and the difference reverse mortgages can possibly make in creating retirement security.” **Ed Slott, CPA**



“This option (reverse mortgage) is crucial when hedging against market volatility, as it allows clients to access funds without having to sell investments at a loss during market downturns. It transforms their retirement strategy.” **Jennifer Baker*, CPA, CFP®, RICP, CEPA**

“It opens up a whole new world for retirees who own their home and should get educated on the benefits of how a reverse mortgage could enhance an already great retirement plan.” **Matt Curfman*, CFP®**

“As a holistic advisor, having knowledge of Reverse mortgages allows me to present all options to my clients. It is not what you know, It is what you don’t know that can make a big difference in a client’s plan”. **Steve Dellelo*, CFF, ChFC, CLU, MSFS, RICP**

“Don and I worked with a couple unable to retire, and the wife was diagnosed with stage 4 brain cancer. We were able to explore a reverse mortgage, which gave the husband the opportunity to quit his job and spend his full amount of time with his wife while maintaining enough income to meet their expenses.” **Matt Schwartz*, CRPC®, CFP®**

“I was skeptical of reverse mortgages...but Don shows you things [about them] you had no idea were even available. When you combine housing wealth with other retirement assets, a whole new dimension is added to what can be accomplished.” **Tom Hegna, CLU, ChFC, CASL**

“The thought leaders have spoken, and I concur, when you utilize reverse mortgages, you increase the likelihood of a positive outcome in retirement.”

David McKnight | Best-Selling Author, Power of Zero

“Don was the one who helped me get started in my exploration of reverse mortgages as a retirement income planning tool. Since then, I’ve written extensively on the topic.”

Wade Pfau, PhD, CFA



“The reverse mortgage is widely misunderstood and underutilized. You are not a true holistic financial planner if you ignore housing wealth.” **Lane Martinsen*, RICP, CLTC**

“Like many in the financial service world, I was very skeptical of reverse mortgages. Don Graves helped me over that skepticism.” **Joe Jordan**

“Don’s expertise in the area of HECM education sets the bar in the RICP program at the American College as well as within our very own industry walls.”

Dr. Robert “Bob” Johnson, CFA®, | Past President, The American College of Financial Services

“Due to all the income pressures that retirees are dealing with today, it is essential that the reverse mortgage conversation be part of the equation.” **Mart McClellan**

“I have read Don's other books on the subject and have adopted what I learned from him about using an HECM into my consulting practice for those seeking an additional source of tax-free funds in retirement, whether needed for ongoing income or as ‘just in case’ funds.”

Heather Schreiber*, RICP, NSSA

***Ed Slott Elite IRA Advisor**



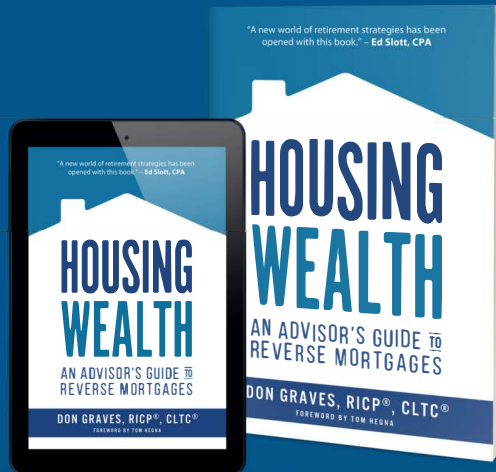
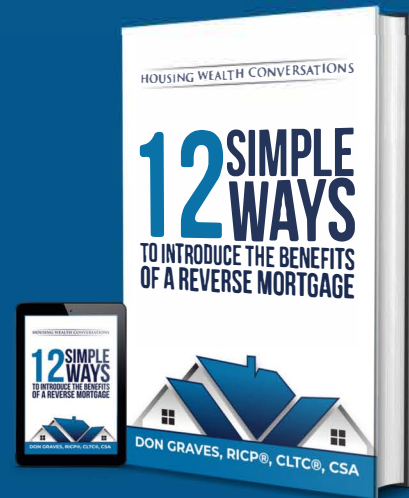
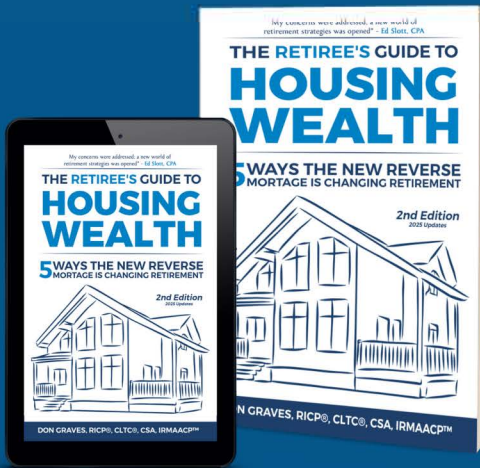
Broadcast/Podcast and Publishing Stages

Don Graves collaborates with advisors through broadcasts, podcasts, webinars, and client or team discussions on reverse mortgages. Below are examples of a few Ed Slott Elite IRA Advisors and partners who have successfully worked with Don in these collaborative efforts.

Broadcasts	Podcasts	Webinars	Team Meetings
10/10/2024	Vince D'Adonna	Valent Wealth	Team Meeting
9/20/2024	Jim Margraf	La Tour Asset Management	Radio Broadcast
7/24/2024	Dean Barber	Modern Wealth Management	Podcast
7/10/2024	Jeff Mills	MBI Direct Mail	Advisor Webinar
6/21/2024	Heather Schreiber	HLS Retirement Consulting	Webinar
6/26/2024	Morningstar	National Podcast	
6/26/2024	Jason Smith	Clarity to Prosperity	Podcast
6/24/2024	Tim Whisler	The Whisler Agency	Podcast
6/5/2024	Brad Pistole	Guaranteed Safe Money	Podcast
3/22/2024	Lane Martinsen	Martinsen Wealth Management	YouTube Live
9/27/2022	David McKnight	The Power of Zero	Podcast
8/30/2022	Matt Curfman	Richmond Brothers, Inc	Client Workshop
8/9/2022	Tom O'Connell	International Financial Advisors	Webinar
6/3/2024 - 10/7/2024	Robert Powell	Retirement Daily	The Street Five Articles & Videos

WORKSHOPS

- The Advisor's Guide to Housing Wealth
- 7 Ways Reverse Mortgages Boost Social Security
- Reverse for Purchase: Unlock New Savings
- Master the Reverse Mortgage Line of Credit in Planning
- Reduce Taxes with Reverse Mortgages: 4 Key Strategies
- Master Market Volatility & Risks with Reverse Mortgages
- 7 Ways to Fund Long Term Care with Housing Wealth
- 12 Ways to Start the Housing Wealth Conversation
- 10 Benefits of No Monthly Mortgage in Retirement
- Consumer Masterclass: 5 Ways to Improve Retirement with Home Equity



Don Graves, RICP®, CLTC®, IRMAACP™, CSA is the founder of the Housing Wealth Institute, Author of 3 books and an Adjunct Instructor of Retirement Income at the American College of Financial Services. He is considered one of the nation's leading educators on incorporating housing wealth into retirement income planning.

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