BOB CARLSON'S
Retirement Watch
Strategies for a Secure Future

The Tax-Free Lifetime Income Stream that Pays Up to 76% MORE than Social Security

<u>IMPORTANT NOTE</u>: This special report is for information and educational purposes only. Please consult the latest issue of *Retirement Watch* or www.RetirementWatch.com for the latest information before taking any action.

The Tax-Free Lifetime Income Stream that Pays Up to 76% MORE than Social Security

Published by:

Eagle Financial Publications.
300 New Jersey Ave. NW #500
Washington, DC 20001
800/552-1152
Email: CustomerService@RetirementWatch.com
Website: www.RetirementWatch.com

Dear *Retirement Watch* member,

I call it the **Retiree's Ultimate Secret Weapon.**

It's one of the most misunderstood and under-utilized financial strategies available today.

Even so, more than 1 million Americans have used this strategy since 1980 to:

- Boost their monthly income by up to 76% more than Social Security…
- Pay for living expenses from an (optional) lump sum, instead of their retirement nest egg…
- Pay off their home mortgages, or even purchase second homes…
- Fund their golden years, to give them the retirement they deserve…

Bottom line: Not 1 in 100 Americans know about the Retiree's Ultimate Secret Weapon.

Well, that all changes today.

You see, this strategy could prove to be the most important financial tool you'll ever use – certainly when it comes to your retirement income.

I'm talking about a **Reverse Mortgage** (also known as a home equity conversion mortgage, or HECM).

Now, if you're like most folks who've heard of reverse mortgages, you probably have a lot of preconceptions about them – and how they work.

And I bet most are dead wrong.

So, let's set the record straight, so you can decide if getting a reverse mortgage – and its powerful income stream -- is right for you.

What Exactly Is a Reverse Mortgage?

In short, it's a type of home loan that allows homeowners to convert a portion of the equity in their home into cash, from which they can withdraw and use however they'd like.

Available through an FHA-approved lender, reverse mortgages are increasingly used by seniors to supplement Social Security, or to pay for unexpected medical expenses and home improvements.

In this private briefing, I'll explain how you can use a reverse mortgage to create a monthly income stream as much as 76% more than Social Security.

Because this type of loan is often misunderstood, though, it's important to first sort through the clutter, and distinguish fact from fiction.

Here's how HUD describes reverse mortgages (they're the agency that regulates and guarantees the loans):

"The equity that you built up over years of making mortgage payments can be paid to you. However, unlike a traditional home equity loan or second mortgage, reverse mortgage borrowers do not have to repay the loan until the borrowers no longer use the home as their principal residence or fail to meet the obligations of the mortgage. You can also use the loan to purchase a primary residence if you are able to use cash on hand to pay the difference between the loan proceeds and the sales price plus closing costs for the property you are purchasing."

To be sure, reverse mortgages are not for every senior American, but they can be a valuable source of income.

In fact, today more than 1 million have used them. (Back in 2003, there were fewer than 20,000 reverse mortgages originated.)

In a reverse mortgage, a lender makes a loan to a homeowner. Neither principal nor interest on the loan needs to be paid until the homeowner dies, moves, or sells the home.

The loan and interest are paid from proceeds of the sale of the home. The loan proceeds are tax free and do not affect eligibility for other benefits.

Reverse mortgage proceeds can be received in a lump sum, fixed monthly payments (for lifetime or a set number of years), or a line of credit to be tapped as needed. Under the line of credit, interest accrues only on the amount actually borrowed, not on the entire amount authorized.

In general, reverse mortgages are guaranteed by the Federal Housing Administration. That means the lender is guaranteed to receive payment of the principal and interest, even if they exceed the final value of the home.

To qualify for the guaranteed loans, one needs only to be at least age 62 and own a home. There is no income limit to be eligible. The maximum loan amount is now $636,150 (which increased from $625,000 on January 1, 2017).

Disadvantages of Reverse Mortgages

Sounds pretty good so far, right? So how come there aren't more people taking advantage of this strategy? Here's why…

To begin you cannot borrow the entire value of the home. The lender wants to make a profit, and the eventual sale price of the home must cover the loan principal, accrued interest, and perhaps the upfront costs of the loan.

So, you will only be able to borrow a portion of your home's value.

The amount of the loan depends on current interest rates, the borrower's age, and the home's value. Low interest rates increase the potential loan. <u>The older you are, the higher the maximum loan amount</u>.

<u>And then there's the costs associated with these… they're the major disadvantage of a reverse mortgages, especially the upfront costs and fees</u>.

- There is an origination fee, which for FHA-guaranteed loans can be up to the greater of $2,500 or 2% of the first $200,000 of the home's value plus 1% of the value over $200,000 up to a maximum fee of $6,000.
- There also is a initial mortgage insurance premium, which is a flat 2% of the loan amount.
- Then there are closing costs and costs associated with other mortgages (such as appraisal fees and surveys), which can be 1% to 2% of the loan

amount. The closing costs depend on the lender and prevailing practices in your area.

- For a home worth the maximum FHA loan amount of $636,150, these costs can be 6% of the home's value, or $17,420.
- After the loan closing, most lenders charge a monthly loan servicing fee of about $35. There also will be an annual mortgage insurance premium of 0.5% to the interest rate.

For lesser-valued homes, the costs can be a higher percentage of the value. These costs are exclusive of the interest charged on the amount borrowed.

Some good news is that these upfront costs don't have to be paid in cash.

They can become part of the loan. But again, that will reduce the amount of cash that can be borrowed, and you will be accruing interest on those costs since they become part of the loan.

Another disadvantage of a reverse mortgage is that most of the home equity eventually could go to the lender and will not be available for loved ones.

Because reverse mortgages can be complicated and expensive, the FHA requires that a homeowner meet with a counselor before a loan can be made, but the counselors are paid by the lenders.

Because of the costs, though, a potential reverse mortgage borrower should first consider other alternatives. For example:

- Many areas allow senior citizens either to reduce real estate taxes or defer payment until the home is sold. Taking advantage of this break can increase cash flow.
- Consider other loans. Regular home equity loans usually have much lower upfront costs and lower interest rates. The disadvantage is that repayment must begin right after the loan is made.
- It might be better to sell the current home and move into a lower cost home. The excess proceeds from the sale of the first home can be used to pay bills or it can be invested and the income used to pay for living expenses.

Some lenders offer reverse mortgages that are not FHA-guaranteed. These loans have no maximum amount, so they are appropriate for those whose homes exceed the FHA lending limits.

They also might have lower costs, because borrowers aren't paying for the FHA insurance. Fewer lenders have made non-FHA-insured reverse mortgages since the financial crisis.

Because they are expensive and can absorb all or most of the home equity, reverse mortgages should be thoroughly vetted for the benefits and risks.

After considering all that, here's why people still do take out reverse mortgage loans…

Advantages to Reverse Mortgages

To begin, the biggest advantage of a reverse mortgage is that it can allow someone to "age in place."

That is, they can remain in their family home for the remainder of their lives.

Next, they can meet the soaring costs of getting older. Cash is available to pay for major medical expenses, major repairs, and other expenses.

This extra income may also mean the difference between living out your golden years in style, visiting friends and family whenever you like…

And working until you're 80 to make ends meet.

It's also as much about reducing risk as it is about maximizing income.

Why? Because it moves more of your tax-advantaged dollars into your later years, when you need it.

While this strategy isn't right for everyone, there's clear demand among U.S. homeowners approaching or at retirement age.

For example, many widows and divorcees can benefit financially from a reverse mortgage if they have lower Social Security, 401(k) or IRA benefits.

Now, for those interested in reverse mortgages, here are the qualifications you have to meet.

What Are the Qualifications to take out a Reverse Mortgage?

To take on a reverse mortgage, you must:

- Be at least 62 years of age.
- Own your home outright, or have a low mortgage balance that can be paid off at closing with proceeds from the loan.
- Live in the home (primary residence).
- Have the financial resources to pay ongoing property charges (including taxes and insurance).
- Receive free or low-cost consumer information from an approved counselor before obtaining the reverse mortgage loan.

How a Reverse Mortgage Can Generate up to 76% MORE than Social Security Each Month:

It's a simple 2-step strategy forward-thinking Americans are using to fuel their retirement, and increase their cash flow.

Step #1 is something you may already be familiar with… yet lost on the majority of retiree-age Americans.

It's delaying your Social Security payments. In other words…

By waiting longer, you get MORE.

Instead of receiving Social Security at age 62, you'll get a higher amount for each year that you delay payments.

In fact, for each year that you delay receiving benefits, your benefit increases by 8%!

Compounded, that's 76% more money each month (than if you started at age 62) – by waiting to receive benefits until age 70.

In other words, the *maximum allowable benefit*.

Of course, deferring Social Security payments for 8 years just isn't going to work for a lot of cash-strapped Americans.

That's where Step 2 comes in…

I call it the "Social Security Swap-Out."

By taking out a reverse mortgage, you can use the cash as a powerful cash flow machine…

In place of Social Security payments.

So while your Social Security compounds each year, starting at age 62…

Your monthly living expenses come out of your reverse mortgage.

On top of that, the reverse mortgage money is tax-free!

What's more, you can stop the reverse mortgage payments when your Social Security payments begin!

Now, what it you're already receiving Social Security benefits?

The Social Security "Mulligan"
How to Get a Reverse Mortgage "Bonus" Income Stream
(Even if You're Already Getting Social Security)

One option is for those who've been getting Social Security for less than 12 months.

You can essentially cancel your Social Security and pay it back to Uncle Sam. You'll of course get it back later, but at higher monthly payments, since you'll be older

A second option: Suspend your Social Security Benefits.

If you've been getting Social Security for more than 12 months, you can "suspend" Social Security payments until a later age.

You'll get some credits for this period of delay. For example, let's say you're 68 and wish to suspend your SS payments until age 70, at which time you'll get a higher benefit.

THE FACTS ABOUT REVERSE MORTGAGES:

- The average reverse mortgage borrower is a single woman age 75 or older.
- For a married couple, the age of the youngest borrower determines how much you can borrow.
- For homes worth more than $625,500, the reverse mortgage premiums and principal limit factors apply only to the first $625,500.
- It is still possible for reverse mortgage borrowers to foreclose on your homes (you must continue to pay property taxes or insurance, and keep your home in good repair).
- As of 2015, new rules require applicants to complete a lender financial assessment (to include credit reports, mortgage payment history and household debt).
- It's often a good idea to hire a reverse mortgage counselor to help review the short- and long-term benefits, the potential downsides, and the loan itself (in the context of your financial situation).
- Be cautious of reverse mortgage scams and unsolicited offers, and contact HUD at 1-800-347-3735 if you wish to file a complaint.

REVERSE MORTGAGE LENDERS:

Here are some reputable reverse mortgage lenders you may consider contacting.

(Keep in mind that not all of these lenders do business nationwide, and a

Also note that I receive no financial compensation from any of the following).

All Reverse: https://reverse.mortgage/

Signet Mortgage: http://www.signetmortgage.com/

First Bank: https://firstbankreversemortgage.com/

Retire Secure: http://retiresecurenow.net/

Longbridge Financial: https://longbridge-financial.com/

Centennial Home Mortgage: http://www.centennialmtg.com/

ADDITIONAL RESOURCES:

For more information on reverse mortgages, consider these sources:

AARP (800-687-2277 or www.aarp.org/revmort) for its booklet *Home Made Money: A Consumer's Guide to Reverse Mortgages*.

National Council on Aging, 202-479-1200 or www.ncoa.org

Fannie Mae (800-732-6643) and its Home Keeper loans

National Reverse Mortgage Lenders Association at 866-264-4466 or www.reversemortgage.org

www.ltccounselor.org

Bob Carlson
Editor, *Retirement Watch*