



Using a Reverse Mortgage For Purchasing a Home

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If you are a Real Estate Professional and not focused on the retirement market, you are missing out on assisting the largest demographic of people in our history that will need housing choices... for many years to come.

The number of older American's is projected to increase from 43 million in 2012 to:

- 84 million in 2050.
- 92 million by the year 2060.

This growth will continue for the next **FOUR** decades!

What is a Reverse Mortgage?

- A Reverse Mortgage or HECM is a federally insured reverse mortgage for homeowners aged 62+.
- Reverse mortgages convert a percentage of the home equity into cash or a line of credit.
- Not required to take on a monthly mortgage payment (they do have to pay for any property charges such as Taxes, Insurance, HOA fees).
- The loan balance plus any accrued interest does not have to be repaid to the lender until the last borrower vacates the property (Maturity Event).

Here are three reasons why using a reverse mortgage to finance the purchase of a new home when selling an existing home is a great idea:

1. Maximizing Equity for Purchase with No Monthly Mortgage Payments

One of the most appealing aspects of using a reverse mortgage to buy a new home is the ability to utilize a significant portion of your existing home's equity without committing to monthly mortgage payments. With a Home Equity Conversion Mortgage for Purchase (HECM), you contribute a percentage of the purchase price from the proceeds of your home sale, while the reverse mortgage loan covers the rest. Unlike a traditional mortgage, a reverse mortgage does not require monthly principal and interest payments; instead, repayment is deferred until the home is sold or no longer the borrower's primary residence. This structure allows you to own a home while freeing up your monthly cash flow, which can be especially advantageous during retirement when income may be limited. By avoiding monthly payments, you can direct those savings toward travel, hobbies, or other lifestyle enhancements.

2. Enabling "Right-Sizing" and Relocation Flexibility

Reverse mortgages can facilitate a move to a home that better aligns with your current lifestyle and needs, often referred to as "right-sizing." Many homeowners find that as they enter retirement, their existing home may be too large, too expensive to maintain, or lacking accessibility features that support aging in place. Selling a larger property and purchasing a more manageable one using a reverse mortgage helps ease the burden of upkeep and maintenance. It also offers flexibility to move to a preferred location, whether closer to family, in a more temperate climate, or within a community that offers amenities like healthcare access, social activities, or age-friendly designs. By using a reverse mortgage for purchase, you can select a home that suits your long-term needs without worrying about a monthly payment that might limit your ability to enjoy other aspects of retirement.

3. Protecting Retirement Savings

One of the main challenges of retirement planning is ensuring that savings last as long as possible, covering both everyday expenses and potential long-term needs. A reverse mortgage enables you to use the equity in your home to finance the purchase of a new residence, which means you don't have to draw down your savings or retirement investments to buy a home. This strategy protects your financial reserves, allowing them to stay invested for longer and potentially grow, which can support other retirement goals or future needs like healthcare. Because the reverse mortgage is paid off only when the home is sold or vacated, you can effectively shield your savings from the impact of regular housing expenses and maintain financial security.

4. Accessing Tax-Free Cash for Financial Freedom

Unlike some other retirement income sources, the proceeds from a reverse mortgage are tax-free, providing a flexible financial tool that can enhance your retirement planning. After selling your existing property, you can use a portion of the proceeds to buy a new home with a reverse mortgage and may even receive additional cash to use as you choose. This extra cash can supplement your income, serve as an emergency fund, or support activities like travel, debt repayment, or home improvements. By creating a tax-free financial cushion, a reverse mortgage can help increase your financial independence, giving you greater control over your resources and making it easier to maintain a comfortable, stress-free lifestyle.

If you would like more information or to schedule a presentation for your office, feel free to contact me at 630-973-6911 or email: mmontgomery@kindlending.com

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