UNDERSTANDING THE HECM REVERSE MORTGAGE LINE OF CREDIT !

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This publication contains the author's opinions and is designed to provide accurate and authoritative information. It is given with the understanding, the author is not engaged by the reader in rendering legal, accounting, investment or insurance planning or other professional advice.

Please be advised that before any professional advice can be given responsibly, it is necessary to invest our time together and have a meaningful dialogue and share information that is relevant to determine which, if any, of the solutions outlined in this book are recommended for your situation!

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Introduction

According to research, on average, U.S. men will outlive their savings by ***eight years*** *and* ***eleven years*** *for U.S. women, leaving only their Social Security or pension type income to get by.*

For them, these years are not their ***"Golden Years"****.*

It can often make a positive difference to plan ahead and understand our best options. Some of these take more time, to work to their full potential, so we want to make our best informed decisions earlier, rather than later.

I have studied our retirement options since 1984. This is what I do and this is where I can often help others and create additional value for them.

Because many of these valuable options and solutions are all-too-often misunderstood, I have written a series of various booklets to help those of us who want to learn more, to create more and make their best decisions.

I encourage you to invest some time with what I have put together in this booklet. I believe this positive solution will be important for many of us.

I will help where I can and I invite you to call me if you have questions, if you want additional details or schedule an appointment.

Let's Understand "The Big Picture" First !

*We often need to **"<u>RETHINK</u> Retirement Planning"**.*

Please review Page 6.

*For the U.S. **"Average Homeowner"** the ages of 65 and over – our savings, investments and retirement accounts are only **<u>about 30 %</u>** of the assets we own for our retirement income needs.*

*The rest is in our home's equity – this averages **<u>about 70 %</u>** of our total net worth.*

*To clarify this further, if you want to keep your home (and not sell it), like most of us do, then about **<u>35 % to 65 %</u>** of our home's equity, depending on our ages, may be available to us with a federal HECM Reverse Mortgage.*

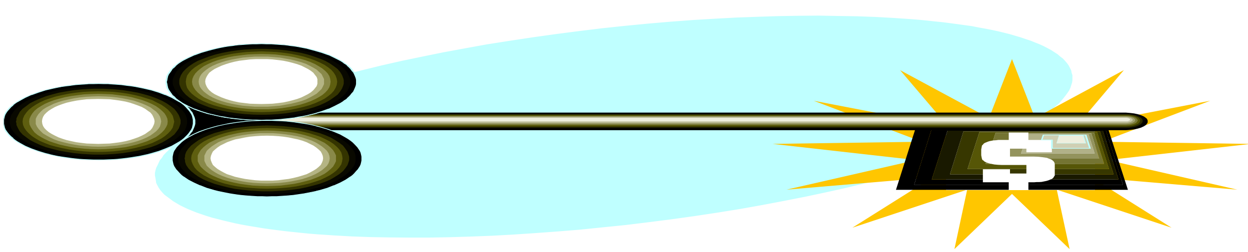
This is not available until the youngest borrower is the age of 62.

*But this in itself, on average, often **<u>DOUBLES</u>** the savings we have to work with, to create the income we'll need to pay our retirement expenses !*

<u>For most of us, this one choice – will have the largest impact to help bridge the gap we have now, or later, with our retirement needs !</u>

As a Financial Planner, I started working with Reverse Mortgages 18 years ago, back in 2005. All-too-often, I'd do a Financial Plan for my client and it was obvious, there would not be enough money to fund their future years without more $$$s ! So we did our homework and found the $$$s !

*And this has proven to be an excellent choice for **<u>OVER ONE THOUSAND</u>** of my clients !*

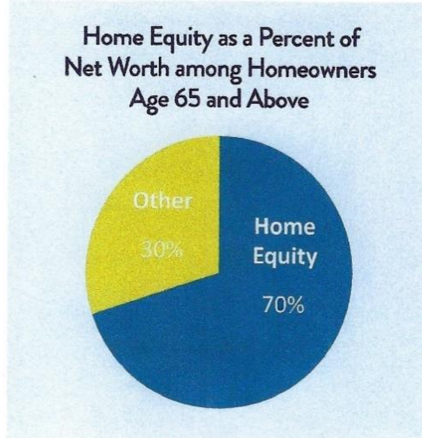


Rethinking Retirement Planning

If you are like most people, retirement planning generally relies on assets such as: 401(k)s, IRAs, traditional pensions, Social Security benefits, as well as regular taxable savings and investment accounts. But as a homeowner, you have another, often overlooked, retirement planning asset: **Home Equity**.

U.S. homeowners age 62+ have more than $7 trillion in home equity,[6] making it the largest asset for most households entering retirement.[7] For the average retiring couple, home equity makes up 70% of their net worth—with other assets like IRAs, savings and personal property only making up 30%.[8]

With such a large proportion of personal wealth tied up in one's home, it's time to rethink how home equity can be used as another tool in your financial arsenal.



New Ways to Access Home Equity

Over the last 30 years, reverse mortgages have gained acceptance as part of strategic retirement planning. In fact, a growing number of respected retirement researchers, such as Harold Evensky, Dr. John Salter, Dr. Wade Pfau, and the Center for Retirement Research at Boston College have all conducted numerous studies to evaluate the pros and cons of reverse mortgages for the benefit of consumers. They have concluded that the reverse mortgage is an important option, with multiple uses that can often help consumers be better financially prepared in retirement, and avoid outliving their money.[9]

"Several recent research articles have demonstrated how responsible use of a reverse mortgage can enhance an overall retirement-income plan...Reverse mortgages give responsible retirees the option to create liquidity for an otherwise illiquid asset, which can, in turn, potentially support a more efficient retirement-income strategy (more spending and/or more legacy)."

—Wade Pfau, Ph.D., CFA, "Reverse Mortgage Background and History"
Forbes, September 12, 2018

[6]Source: National Reverse Mortgage Lenders Association (NRMLA)/RiskSpan Reverse Mortgage Market Index (RMMI).
[7]Sass, Steven A., "Is Home Equity an Underutilized Retirement Asset?", Center for Retirement Research at Boston College, Number 17-6, March 2017
[8]US Census Bureau, "Wealth, Asset Ownership & Debt of Households Detailed Tables: 2015"
[9]Salter, John., Evensky, Harold., & Pfeiffer, Shaun. (Aug 2012). Standby Reverse Mortgages: A Risk Management Tool for Retirement Distributions. Journal of Financial Planning, pg. 40. | Pfau, Wade. D. (2016) Reverse Mortgages: How to use Reverse Mortgages to Secure Your Retirement. Retirement Researcher Media.

Please consider this example. I recently had a lady from Bellevue call me and her home was worth about $ 1.7 million. This was just a tract home, no view and about 2,000 s/f. Zillow had this valued at $ 1.7 million !

I asked her why she wanted to get a Reverse Mortgage. She said she needed a new furnace and couldn't afford this !

On paper, she's a millionaire ! And I have many Reverse Mortgage clients who are millionaires.

But this widowed millionaire did not have the cash or income to finance a new furnace she needed. All of her extra million was trapped in her home's equity. Even millionaires need cash and new income at times.

And I see variations of this every week.

Some of us need a Reverse Mortgage to help with our needs now. Others will want to use this to help prepare ahead for their future needs.

Expensive <u>Limitations</u> of Your Traditional Mortgage

*For our purposes now, for the Traditional Mortgage we've been forced to work with all of our younger lives, our **"Loan Amount"** has only one part. This is our **"Loan Balance"**, the amount we still owe.*

*So we make our payments like we agreed – and this is applied to our **"Loan Balance"** – and any new home value vanishes, into our home equity.*

***<u>We lose control of 100 % of our mortgage payment when we pay this.</u>** And we have no further ability to access any of this mortgage payment, until we sell our home, or refinance our mortgage.*

Sometimes we have enough equity, where we can also get a HELOC, a home equity line of credit. But this is an additional mortgage loan and it is independent of our first Traditional Mortgage.

This combination, now requires two payments and any payments for either mortgage, do not help relieve our obligations to the other mortgage.

*But once we reach the age of 62, federal opportunities may allow us to **<u>GRADUATE</u>** – and we may qualify for the HECM Reverse Mortgage !*

Valuable HECM Reverse Mortgage Advantages !

*You **DO NOT** give up ownership of your home and once you understand how this works and the following **ADDITIONAL ADVANTAGES**, the federal HECM Reverse Mortgage offers to us, you will likely agree . . .*

IT'S A BETTER DECISION TO "GRADUATE"

TO THE HECM, IF YOU CAN QUALIFY !

*First, we need to determine your **"Loan Amount"**. And this is based on your home's appraised value, the age of the youngest borrower and a U.S. Treasury Index, similar to the ten year U.S. Treasury Bonds.*

*The **"Loan Amount"** is typically **35 % to 65 %** of the appraised value.*

*Unlike the Traditional Mortgage, the HECM Reverse Mortgage Loan Amount, is comprised of **TWO** separate – but integrated parts. We have the **"Loan Balance"** – just like the Traditional Mortgage, the amount we owe. And the 2nd part is any amount that's left, our **"Line of Credit"**.*

*The HECM Loan Balance and its Line of Credit will always total **100 %** of the Loan Amount.*

The HECM Reverse Mortgage always allows us to make a payment, without any pre-payment penalties, to reduce our Loan Balance (but never requires any payment, as long as we are alive and still qualify for the loan).

THIS IS IMPORTANT !

ANY HECM LOAN PAYMENT WE MAKE, NOT ONLY

REDUCES OUR LOAN BALANCE – BUT 100 %

OF THIS IS ALSO CREDITED AND ADDED,

TO OUR HECM LINE OF CREDIT !

Let's refer to Page 11 as we go thru this.

We start with a home appraised at ***<u>$ 1,000,000</u>****. Our Loan Amount is assumed to be* ***<u>$ 500,000</u>*** *for this applicant. (The remaining $ 500,000 is the Owner/Borrower's equity and theirs if they sell, or leave to their beneficiaries. Plus, they still own any unused Line of Credit, the Borrower does not need.)*

Out of this ***<u>$ 500,000</u>****, we'll assume our Loan Balance, the amount we owe, is* ***<u>$ 400,000</u>*** *and the remaining unused Loan Amount of* ***<u>$ 100,000</u>****, goes to our HECM Line of Credit.*

Any amount of our Line of Credit is available to us within five business days. It is tax free. We are not charged interest for any amount of the Line of Credit – and we do not owe one penny of this. It's all for us when we want it.

<u>ADDITIONAL VALUE</u>

OUR LINE OF CREDIT IS CREDITED AT THE <u>SAME INTEREST RATE</u> THAT IS CHARGED TO OUR LOAN BALANCE !

This HECM is an Adjustable Rate Loan, so if this rate for our Loan Balance, increases or decreases, the Line of Credit adjusts to the ***<u>same rate</u>****. The lender will always require that there is a specified minimum amount in the Loan Balance – and we'll assume this is only* ***<u>$ 100</u>****, which is typical.*

We want to create the best situation we can. We decide to make the maximum payment allowed of ***<u>$ 399,900</u>****, leaving the* ***<u>$ 100</u>*** *Loan Balance.*

<u>Remember, all of this, is also credited to our Line of Credit and we add this $ 399,900 to our original $ 100,000 Line of Credit – and this now totals $ 499,900 of our $ 500,000 Loan Amount.</u>

We now have a Loan Balance of ***<u>$ 100</u>*** *– which is all we are being charged interest on, about 7 % annually at this time, or only* ***<u>$ 7</u>****. Our Total Line of Credit will increase about* ***<u>$ 35,000</u>*** *this year and compounds ! These additional funds are available to us now, or later, as needed or wanted !*

This Is <u>Creative</u> Retirement Planning !

$ 1,000,000
Home Appraised Value

$ 500,000 **Loan Amount** **Less**		**$ 500,000** **Owner Equity** **(Amount for Owner and/or Beneficiaries plus any unused LOC)**
$ 400,000 **Loan Balance**	**equal** →	**$ 100,000** **Line of Credit**

***Note:** The Loan Balance and Line of Credit <u>ALWAYS</u> equal the Loan Amount.*

We Decide To Pay Off As Much Of Our Loan Balance As Allowed

***Note:** Lender requires a minimum of <u>$ 100</u> Loan Balance. So we make a HECM loan payment of <u>$ 399,900</u> ($ 400,000 less $ 100) and*

<u>100 % OF THIS . . . IS ALSO ADDED TO OUR LINE OF CREDIT !</u>

$ 399,900	**New HECM Loan Balance Payment**
<u>+ $ 100,000</u>	**Original HECM Line of Credit**
$ 499,900	**Total New HECM Line of Credit**

With this extra $ 399,900 payment, we not only eliminated, the current 7 % interest cost on the Loan Balance (almost $ 28,000 a year) . . . but our Line of Credit will also <u>GROW</u> at the same rate (another $ 28,000 a year – <u>14 % total difference</u>) !

How Our Single Premium HECM Payment Creates More Value !

*I'm going to share **four** VALUABLE opportunities, where the HECM Reverse Mortgage can create **MORE DOLLARS** for us.*

*This **"First Opportunity"** can make a lot of sense, if you have extra cash or other investments you want to sell and reposition the proceeds, to **MAXIMIZE THE VALUE** of your HECM Loan.*

We will minimize our Loan Balance (and interest charged on this) and maximize our Line of Credit (and credits to increase this).

I'll share a personal example. Vicki (my wife) and I had a very good year in 2021. And we had quickly accumulated an extra $ 200,000 in our personal checking account at one point.

I think we only made about 25 cents a month from our bank at the time. And it did not take a Financial Planner to know, we needed to make a more productive decision with our money !

*This was our **SAFE MONEY** and we did not want this part of our portfolio at risk, in the investment markets. And we wanted easy access and all of this to be quickly available, if we needed or wanted any of this. So CDs, or other choices, with penalty options, were not what we wanted.*

*We also owed about **$ 180,000** for our home's Traditional Mortgage.*

*So like many of us, we briefly thought about paying this off. Yes, we would lower our debt and interest costs and this would be a good return in itself for our safe money. **But what's the problem if we did this ?***

If we did this, we would not be able to use any of this for anything else we needed or wanted, without additional complications and costs. *(This payment would only be available if we sold our home, or refinanced this with another mortgage. We did not want to do either.)*

*So we decided to get the federal HECM Reverse Mortgage. First, this paid off our Traditional Mortgage and this in itself eliminated our mortgage payments – **BUT WE TOOK IT ONE STEP FURTHER !***

*As stated earlier, this does not work with the Traditional Mortgage because it only has the **ONE PART**, the Loan Balance. **And it does not have the integrated Line of Credit.***

*But our HECM Reverse Mortgage **"Loan Amount"** has **TWO PARTS**. This includes the Loan Balance and any remainder, is credited, **100 %**, to our Line of Credit.*

*We do not owe this Line of Credit and we are not charged any interest for this. But any amount is **INSURED** and **AVAILABLE** to us within five business days, tax-free, if we need or want part, or all of it.*

If we don't need or want it, it will continue to grow and compound at the same interest rate, we are charged on our Loan Balance !

*Remember what we stated earlier, our Loan Balance and our Line of Credit always equals **100 %** of our Loan Amount ! And any payment we make, not only reduces our Loan Balance and the interest we are charged for this – but **100 %** of our loan payment is **ALSO ADDED** to our Line of Credit – because the Loan Balance and Line of Credit always equal **100 %** of the Loan Amount we were approved for, plus accumulated growth !*

*We wrote a check from our personal checking account for **$ 180,000** and we paid off our HECM Loan Balance, except for the **$ 100** minimum Loan Balance, our lender required to keep the Loan Amount in force.*

*So now, we only owe this **$ 100** and the rest is paid off !*

IT'S A GREAT FEELING . . . BUT HERE'S THE BEST PART !

*All of the **$ 180,000** we paid, is still available to us in our Line of Credit. It is also currently growing and compounding about **7 %** annually, available to us within five business days and income-tax-free !*

*Today, less than two years later, our HECM Line of Credit has grown to about **$ 200,000**. And the growth rate is also about **7 %** . . .*

THIS IS AN EXTRA $ 14,000 A YEAR FOR US AT THIS TIME !

Making Monthly Payments Comparison

We'll refer to Page 15, as we go thru this.

*This is our **"2nd Opportunity"** of the four we'll review. If you are still making monthly payments for your traditional mortgage, you absolutely need to understand this and then **"Graduate"** to the HECM Reverse Mortgage !*

*Page 15, illustrates how much of our money we lose control of, when we make monthly (or other) payments for a traditional mortgage. It typically adds up to **<u>HUNDREDS OF THOUSANDS OF DOLLARS OVER TIME !</u>***

*For example, if we paid $ 2,000 monthly for 10 years, this totals **<u>$ 240,000</u>** that we lose control of. **<u>We'll never get this back, until we either sell our home or refinance it with another mortgage.</u>***

*And if we assume a 5 % interest in the bottom chart, this increases to over **<u>$ 310,000</u>** for these ten years ! And at 7 %, there's even more !*

The HECM Reverse Mortgage provides us with a positive alternative. While we are not required to make payments in our lifetime, as long as we qualify, we can always make single, monthly or other payment amounts as we wish, when it fits our needs (and not the lenders !)

<u>And as we saw, 100 % of any payments we make, will increase our HECM Line of Credit by the same amount. And this Line of Credit will continue to grow, at the same rate that is charged to our Loan Balance.</u>

*This allows us to **<u>recapture</u>** all of our payments – plus any growth – to use for other needs or wants. And we still have the choice to pay this back if we want to, or not.*

IF YOU ARE 62 OR MORE AND IF YOU CAN QUALIFY, <u>ARE YOU READY TO "GRADUATE" ?</u>

100 % OF EVERY LOAN PAYMENT WE MAKE
IS ALSO CREDITED TO OUR LINE OF CREDIT !

Let's consider the NEW LIQUID, TAX-FREE MONEY over time . . .

Monthly Payment	**$ 1,000**	**$ 1,500**	**$ 2,000**	**$ 2,500**	**$ 3,000**
5 Years	$ 60,000	$ 90,000	$ 120,000	$ 150,000	$ 180,000
10 Years	$ 120,000	$ 180,000	**$ 240,000**	$ 300,000	$ 360,000
15 Years	$ 180,000	$ 270,000	$ 360,000	$ 450,000	$ 540,000
20 Years	$ 240,000	$ 360,000	$ 480,000	$ 600,000	$ 720,000

*Assume this **INCREASES 5%** compounded annually . . .*

Monthly Payment	**$ 1,000**	**$ 1,500**	**$ 2,000**	**$ 2,500**	**$ 3,000**
5 Years	$ 68,006	$ 102,009	$ 136,012	$ 170,015	$ 204,018
10 Years	$ 155,282	$ 232,923	**$ 310,564**	$ 388,205	$ 465,846
15 Years	$ 267,288	$ 400,933	$ 534,577	$ 668,222	$ 801,866
20 Years	$ 411,033	$ 616,550	$ 822,067	$ 1,027,584	$ 1,233,101

Note: Property tax and Homeowner insurance not included.

What If Your Home Is Paid Off ?

*I'll begin by saying "**Congratulations"** ! Why would it make sense to get your HECM Reverse Mortgage ?* ***(<u>BECAUSE IT OFTEN DOES !)</u>***

*This is our **"Third Opportunity"** of our four. We will refer to Page 17.*

Unless you want cash or income for something else, the reason we'll still benefit with a HECM Line of Credit, is for the additional insured, liquid, tax-free funds we'll create, to have available when we need it or want it !

When I'm in the Seattle area, the average home value is already $ 800 to $ 900,000. So if you have a million dollar home, I have illustrated the estimated Line of Credit that will be available to you, given your age, home value and expected (10 year U.S. Treasury CMT index) interest rates.

If your home is valued at less than one million, simply pro-rate what I have provided on Page 17 – and the amount available to you will be close.

*For example, with a million dollar home value, if you are the age of 72, your Line of Credit starts out a bit under **<u>$ 398,000</u>** when I wrote this. And because this accumulates at the same interest rate that is charged to your Loan Balance, I estimate this will be over **<u>$ 726,000</u>** in just ten years ! (This assumes you do not take withdrawals and let all of this grow.) And you are only the age of 82 at that point – **<u>WITH AN EXTRA $ 700 GRAND !</u>***

I have HUNDREDS of smart clients who have gotten their HECM Reverse Mortgage – just to create the additional Line of Credit and have it available if they need or want part, or all, of this later !

*Let me ask you this. If we can create an additional **<u>$ 700,000</u>** for you, or any alternative that creates hundreds of thousands of additional dollars for your future - INCLUDING LONG TERM CARE – wouldn't this take some of the pressure off your other income, savings or investments . . . and pressure off you ? **<u>OF COURSE IT WILL !</u>***

And maybe these new dollars will be enough to pay for Long Term Care for BOTH spouses if needed !

Projected "Line of Credit" Increases !

- *Assume we have a **$ 1,000,000** home in this example.*
- *The **"Initial Line of Credit"**, Year 0, is based on interest rates from **3/28/2023**. Rates can change weekly for new loans. The numbers illustrated are **"Net"**, after estimated **"Closing and Loan Costs"**.*
- *Future growth for projections below are assumed to increase at the rate of **6.21 %** annually (based on the **"Expected Interest Rates"** from **3/23/2021** of **5.71 %** (assuming a 2.25 % margin) plus **0.50 %** for FHA Insurance. 10 year U. S Treasury rates closed at 3.537 on 3.27/23.).*
- *Assumes that you have no other debt beyond the **"Closing Costs"** for the loan. (You must keep a loan balance of $ 100 minimum.). **If your loan is paid off, the loan will be closed-out by the lending bank.**)*

Year	Age 62	Age 72	Age 82	Age 92
0	$ 339,551	$ 397,551	$ 491,551	$ 627,551
5	458,915	537,304	664,348	848,156
10	620,239	726,184	897,889	
15	838,274	981,463	1,213,528	
20	1,132,956	1,326,481		
25	1,531,229	1,792,784		
30	2,069,509			
35	2,797,012			

Note: For Example Only

Disclosure: Please note that these materials are not from HUD or FHA and were not approved by HUD or a government agency.

HECM Line of Credit and Long Term Care !

How have you planned to pay for your Long Term Care needs ?

<u>70 %</u> *of us will need some amount of Long Term Care. A lot of this is for the short-term recuperative-type care. But about* ***<u>1 out of 4 of us</u>*** *will need Long Term Care for two years and more. And the costs for this will often be 200 to 300 grand for just a couple of years !*

I've helped my clients with Long Term Care options since 1984 and I also offer all of the other planning choices. I am well-versed in each.

The HECM Reverse Mortgage is one of our very ***<u>BEST OPTIONS</u>*** *! And few of the insurance agents, or advisors, ever bring this up – because they are not licensed and don't get paid and/or understand this ! (I have both the insurance and mortgage licenses needed, to discuss either alternative.)*

The HECM Reverse Mortgage often works very well by itself, or in combination with other planning tools – and it is the most flexible and often the lowest cost choice for LTC – and offers valuable and unique benefits !

Let's review our ***"4th Planning Opportunity"****, where the HECM Reverse Mortgage offers us both unique benefits and additional dollars, to protect our money and future choices, if we or our spouse need LTC.*

As I understand this, it's tough to help singles with this. So I always suggest you confer with an Elder Law Attorney to help insure, you don't overlook any opportunity to help you and your loved ones through this ordeal.

But for married couples – this does not work for unmarried couples – the Medicaid rule for this is much clearer as a ***"Spousal Exemption"****. Medicaid does provide extra rules and opportunities for both married spouses and disabled children.*

<u>We need to understand these Medicaid rules will often favor a HECM Line of Credit, compared to other savings choices.</u> *For example, in 2023, the Washington State DSHS allows the at home married spouse -*

UP TO <u>$ 1,033,000</u> OF MEDICAID <u>EXEMPT</u> HOME EQUITY !

*This is Home Equity and not Home Value. This **<u>$ 1,033,000</u>** is your Net Equity after any mortgages or liens. And here is the key . . .*

OUR "HECM REVERSE MORTGAGE LINE OF CREDIT" <u>IS INCLUDED</u> IN THIS <u>$ 1,033,000 EXEMPTION</u> !

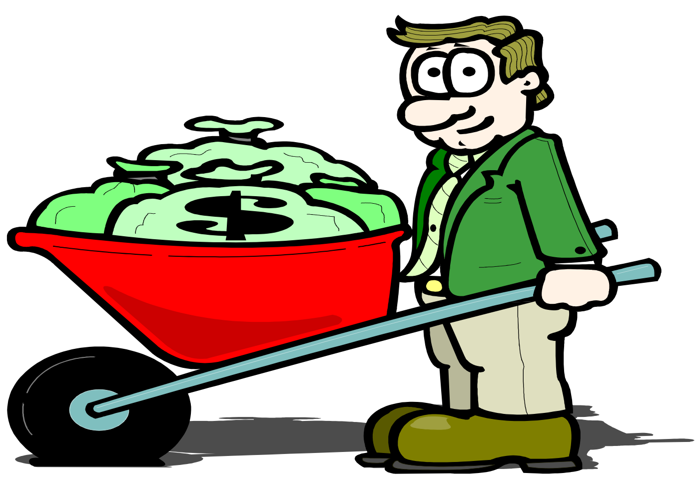
Remember, all of your Line of Credit is liquid and accessible money, available to the spouse at home within five business days and all tax-free !

Your Medicaid EXEMPT home equity can now be available ! How else will she/he access their hundreds of thousands of exempt equity ? Sell the home or get a new mortgage ? (It's often harder to qualify at this time !)

<u>Here is my point. It is often advisable to think ahead, sell and reposition your other savings and investments, to pay down any HECM Loan Balance and increase your Line of Credit !</u>

*Be advised that Medicaid **<u>DOES LIMIT</u>** the **<u>EXEMPT AMOUNT</u>** of your other savings, investments, retirement accounts, collectibles, boats and vehicles. And you'll want to have all of this re-positioned ahead of time.*

When you procrastinate and need to scramble at the last minute, you'll rarely have your BEST OPTIONS available – and everyone will suffer.



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The Medicaid asset limit, also called the "asset test", is complicated. There are several rules of which the reader should be aware before trying to determine if they would pass the asset test. First, there are "countable assets" and "exempt assets".

An applicant's home, home furnishings, personal items, and vehicle are generally exempt. However, remaining portions of COVID-19 stimulus checks are countable assets. Second, all of a married couples' assets, regardless of whose name the asset is in, are considered jointly owned and are counted towards the asset limit. Third, asset transfers made by the applicant or their spouse up to five years (or 2.5 years in California) immediately preceding their application date are scrutinized. This is called the Medicaid Look-Back Period. If one has gifted countable assets or sold them under fair market value during this timeframe, a penalty period of Medicaid ineligibility will be calculated.

Use our Total Countable Asset & Spend Down Calculator.

A single applicant, aged 65 or older, is permitted up to $2,000 in countable assets to be eligible for nursing home Medicaid or a HCBS Waiver. New York is a notable exception allowing $16,800. (This is for 2022. The 2023 figure has yet to be released). Aged, Blind and Disabled Medicaid usually has the same asset limit. State specific Medicaid asset limits are available here.

For home exemption, an applicant for nursing home Medicaid or a HCBS Waiver must have a home equity interest under a specified amount. Home equity is the fair market value of one's home minus any debt on the home, such as a mortgage. Equity interest is the portion of the home's equity value that is owned by the applicant. In most states, the home equity interest limit is $688,000 or $1,033,000. California is the only state that does not have a home equity interest limit. Furthermore, if the applicant does not live in the home, there must be "intent to return" for it to maintain its exempt status. To be clear, there is no home equity interest limit for ABD Medicaid.

WASHINGTON 2023 LIMIT

Married couples with both spouses applying for nursing home Medicaid or a HCBS Waiver are typically allowed $4,000 in countable assets. In many states, married applicants are considered as single applicants and each spouse is permitted up to $2,000 in assets. A big change comes with married couples in which only one spouse is applying for one of these programs. While a husband and wife's assets are considered jointly owned, the non-applicant spouse is allocated a larger portion of the couple's assets. This is called a Community Spouse Resource Allowance (CSRA), and in most states, allows the non-applicant spouse countable assets up to $148,600. This is in addition to the $2,000 the applicant spouse is able to retain in jointly owned assets. The home is excluded from the asset limit, provided the applicant spouse or community spouse (non-applicant spouse) lives in it. If the non-applicant spouse lives in it, there is no equity value limit.

The rules are different for married couples applying for Aged, Blind and Disabled Medicaid. In this case, the couple, regardless of if one or both spouses are applicants, are permitted up to $3,000 as a couple. There is no Community Spouse Resource Allowance permitted.

The complexity of the Medicaid asset test underscores the importance of Medicaid planning, a process by which many families who are over the Medicaid asset limit still manage to become Medicaid eligible. Learn more about what Medicaid planners do. For further information on planning techniques when over the asset limit, read the section below, "Options When Over the Limits".

Reverse Mortgages and Lines of Credit

We do not count as an available resource, beyond the idea, that it comprises home equity. It is not a resource all by itself. A line of credit is simply one method, someone can access their home's equity in a reverse mortgage. The equity is still in the home until the credit line is used.

Once the client takes a cash advance payment from the line of credit, the cash they take could become an available resource, if they still have it on the first of the month, after receiving payment.

A client takes out a reverse mortgage of $ 150,000 (principle before fees) and took the proceeds as a $ 150,000 line of credit. Until the client actually uses the line of credit, it is still part of the home's equity. In that sense, it is a resource, but the client does not have a separate available resource of $ 150,000. If on March 2, they took a cash advance of $ 50,000 on their line of credit, the home's equity has been reduced by $ 50,000. The remaining $ 100,000 in the line of credit, is still part of the home's equity until it is accessed. If they put that $ 50,000 from the line of credit into a bank account, whatever is still in the account on April 1, is an available resource.

If a client who has $ 555,000 equity in their home, had taken out a reverse mortgage line of credit of $ 150,000 but had not accessed the credit, the client still had $ 555,000 (maximum allowed when this was written – now up to $ 1,033,000 in 2023 – Dave updated) equity (less any loan fees). If the client did not have a spouse, minor child, or dependent child residing in the home, then the client would not be eligible. The client still has equity in excess of $ 555,000 (maximum allowed when written – now $ 1,033,000 in 2023 – Dave updated.)

However, if the client had accessed their line of credit and had used $ 60,000 on debts, the home's equity is reduced by $ 60,000 by the time they request LTC, then the client's equity is less than $ 555,000 and is potentially eligible, (Again, increased to $ 1,033,000 for 2023 – Dave)

Source

https://www.hca.wa.gov/health-care-services-

supports/programadministration/reverse-mortgage-

promissory-notes-and-loans

Is Your Line of Credit A "Savings Account" ?

*Can you leave any of your Line of Credit to your children or other loved ones ? Does it pay you taxable interest ? The answer is **"NO"** to both. However, any unused amount of your Line of Credit, is added to the Owner's Equity when they sell or pass away - and then it is 100 % available to others.*

The Line of Credit is only available to the Borrowers of the Reverse Mortgage Loan. This could include the spouse, others and even children, if they are old enough to be Borrowers on the loan - and own and live in the home, as required for any Borrower (i.e. age 62 and older).

*There is no taxable interest – because any amount you withdraw is part of your equity, your share of the home's total value available to you. So why is the LOC important ? **<u>IT INCREASES YOUR OPTIONS !</u>** (Our goal is to help create the most income and cash for you, for the years ahead.)*

*When you close on your Reverse Mortgage Loan, you are **<u>locking in</u>** the market value of your home, **<u>even if it does go down in the future</u>**.*

*For whatever amount you don't withdraw, your Line of Credit will continue to **<u>GROW EVERY MONTH</u>**. Since this is only available with the **"Open-End Adjustable Loan Option"**, the interest rate will vary and likely increase in the foreseeable future, as it now appears to many of us.*

*The rate that will actually be credited to you, will be the **"Current Interest Rate"** for that month (based on the Monthly or the Annual U.S. Treasury CMT Index), plus the ½ of 1 % fee, FHA charges annually for any Loan Balance.*

*So the rate you will be credited, will be **<u>EXACTLY THE SAME</u>** as the total rate you are being charged, for any amount you have borrowed.*

*If you have a low Loan Balance – the amount you owe – and a high Line of Credit . . . and if we have **<u>INCREASING</u>** interest rates in the future, these will always work to your advantage and increase your Line of Credit !*

YOUR LINE OF CREDIT WILL <u>INCREASE</u> EVEN MORE !

*Any amount you withdraw from your **"Line of Credit"** will increase your HECM Loan Balance and ultimately lower remaining equity you own in your home when it is sold. Yes, you will be spending your home equity . . .*

<u>BUT IT'S EXTRA CASH OR INCOME – WHEN YOU NEED IT !</u>

The extra advantage, from the growth of your Line of Credit, is you will have more of your home's equity available to you for other needs and wants,

<u>ALL FHA INSURED AND GUARANTEED . . . EVEN IF THE FUTURE VALUE OF YOUR HOME GOES DOWN FOR ANY REASON !</u>

In other words, you are preserving and enhancing your future options . . . to have access to more income or cash if you need or want it later !

(And most of us likely will at some point !)

Creative Retirement Planning, Inc.
Mortgage Broker, NMLS # 1175810

Dave Nute, RICP®, CLU®, ChFC®
Retirement Income Certified Professional®

www.NorthwestReverseMortgage.com

Positive Comments From Our Clients !

5 Star Google Review *Dave is a lifesaver ! My husband and I were in desperate need of sound financial advice and we found the answer in Dave Nute. He was so caring, competent, knowledgeable, understanding and non-judgmental of our situation. Dave realized what we needed to do and he devised a personal plan for us – which led us on a path to financial security. Dave deserves all 5 stars ! (Beverly and Guy Heder, MD, formerly from Sequim)*

5 Star Google Review *EXCELLENT service and professional demeanor. Dave has assisted us twice in our mortgage planning and we have been well-satisfied each time. (Nancy and Bob Dachtler, Sequim and Port Orchard)*

5 Star Google Review *Dave began assisting us with our financial accounts over 10 years ago – which has allowed us to enter retirement with a sound financial base. While working, Dave provided assistance for investing in financial products to enhance our accounts, later used in retirement. He diversified our accounts – which included stocks, bonds, Reverse Mortgage and several annuities. He also advised obtaining an umbrella policy on our home for security for unexpected issues. We trust his advice and happy to have a comfortable retirement. We have enjoyed working with Dave. (John and Donna VanAckeren, Port Townsend)*

5 Star Google Review *Dave was able to guide me – and previously my Mother – through the Reverse Mortgage process and kept me informed every step of the way. He was always available to answer questions and was able to clarify what I did not understand. I really enjoyed working with him and would gladly refer him to anyone seeking Retirement Plans of any sort, as he is very professional and knows his business well. (Barb Byers, Port Angeles)*

5 Star Google Review *We have been with Creative Retirement Planning for over 10 years and during that time, Dave has been a valued asset to our financial goals and retirement plan. Dave's insight and guidance allowed us to retire two years earlier than planned. Dave is ALWAYS very responsive to any questions or concerns we have. But to me, his guidance to a long term care option has been priceless. As a diabetic, I had been turned down on three different occasions for a long term care policy. Dave found me an annuity policy that gave us 3 times our investment for long term care and if not used, our initial investment and interest would be returned and even better, no monthly premiums. This has been a great relief to my wife and I. (Richard and Trudy Fink, Oak Harbor)*

Dave, thank you for all of your help and your perseverance, in getting this thing done. I will be grateful to you for the rest of my life, that I will be able to stay in my home. (Janet Little, Sequim. She mailed this to me back in early 2016 and passed away a few months ago.)

<u>5 Star Google Review</u> *Dave is very well-informed about information on retirement strategies and a valuable asset for planning. (Howard and Sharon Porter, Langley)*

<u>5 Star Google Review</u> *Dave is a patient and kind teacher/counselor/expert on tricky complex financial tools, like the Reverse Mortgage ! He helped us through recently and I appreciated his focus on timely responses to my questions and he explained in layman terminologies so I could understand. I recommend Dave as an honest and forthright financial consultant. (Robert and Judy Burkhart, Port Angeles)*

<u>5 Star Google Review</u> *Dave has helped us with our financial decisions for several years now ! We appreciate his sound business advice and knowledge. All of us are just trying to figure out how to continue forward. Dave can help us guide that ship. (Susan Glover, Gig Harbor)*

<u>5 Star Google Review</u> *Dave has been handling our entire retirement portfolio since 2012. We wanted to be relatively conservative and he set us up with a diversified portfolio that has grown more than we imagined. He also set up long term care insurance for us, which we were concerned about. We are grateful for his help and especially the peace of mind, knowing that our finances are in good hands. (Doug and Bonnie Cole, formerly from Sequim, now in Kennewick)*

<u>5 Star Google Review</u> *We had Dave help us with a refinance of a Reverse Mortgage. Pleasure to work with, upfront and honest, good communications. Highly recommend. (Jerry and Jenny Pyle, Bothell)*

<u>5 Star Google Review</u> *Dave represented me with the refinance of my Reverse Mortgage. He is well-connected in the mortgage finance community that led us to a lower interest rate, efficient customer service and fast results. His professional, quality service, was nothing less than impressive. (Kathleen LaBelle, Port Ludlow)*

<u>5 Star Google Review</u> *We have used David Nute as an investment advisor for the past ten plus years and found him to be very informed and professional. He has guided us in making investments which we are very satisfied with. We can recommend him for sound planning and advice. (LeRoy & Regina LaMar, Poulsbo).*

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Assisting with Retirement Income Planning, Long Term Care, Reverse Mortgage and Estate Planning Solutions since 1984

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