Rethink Reverse
Increase Portfolio Longevity
with a Reverse Mortgage Loan

Rethink Reverse Mortgage Loans

Putting the financial security of your customers first takes hard work and attention to detail associated with balancing portfolio construction and risk management in order to yield long-term success.

Life is not lived in the long-term. Considering the use of home equity in retirement planning is essential in balancing short-term concerns with long-term goals.

Government-insured Home Equity Conversion Mortgages (HECMs), commonly known as reverse mortgage loans, can be used as a buffer asset to the borrower's spending strategy or as a new way to diversify wealth.

HECM loans are now safer with specific measures required by the Federal Housing Administration (FHA) to protect borrowers. The new government guidelines make the HECM loan an incredible financial planning tool for investors who want to maximize portfolio longevity.

Learn More About the Advantages of HECMs

What is a HECM?

A HECM loan is designed for homeowners 62 and over to unlock a portion of the equity in their home by turning it into tax-free* cash with no monthly mortgage payments**. **Consult your tax advisor. **Borrower must continue to pay for property taxes, homeowner's insurance, and home maintenance costs.*

How could a HECM loan help your client with their retirement portfolio?

A HECM loan provides a potentially inexpensive, easy-to-qualify, tax-free*, liquid cash reserve for various uses.

How much does a HECM loan cost?

Much like traditional mortgages, there are costs there are costs associated with originating the loan. Borrowers are charged an origination fee, a mortgage insurance premium (MIP), a counseling fee as well as standard closing costs. The great news is that these fees can be capped and financed with the loan proceeds.

What are the qualifications?

- ✓ The youngest borrower on title must be 62 years of age or older. A non-borrowing spouse may be under 62.
- ✓ The home must be the borrower's primary residence.
- ✓ The home equity must exceed 40% in most cases, depending upon the borrower's age.
- ✓ The borrowers will undergo a financial review to ensure they are able to comply with the loan terms.

How can it be used for retirement security?

- ✓ Replace cash reserves
- ✓ Eliminate monthly mortgage payments** for borrowers and help to increase cash flow
- ✓ Delay drawing Social Security payments and pension payouts
- ✓ Loan Proceeds are not considered income and can be used as a tax-free income supplement*
- ✓ Buffer spending of investments in a down market
- ✓ Cover unexpected gaps in medical coverage, including long-term or nursing care
- ✓ Provide a new way to diversify wealth
- ✓ Use a HECM for purchase to allow a client to purchase a new home and save the residual cash for other investments
- ✓ Enhance financial security without affecting some benefits such as Social Security or Medicare

**Borrower must continue to pay property taxes, homeowner's insurance, and home maintenance.

THE BIG PICTURE

Home equity is a dynamic financial tool that should be discussed with clients to help them reach their retirement goals.

Portfolio Survival Risks:

1.LESS STRUCTURED ASSISTANCE

The shift from defined benefit plans to defined contribution plans might affect the distribution of retirement income among baby boomers.

-Social Security Administration[5]

2. MARKET VOLATILITY AND SHORT-TERM THINKING

Overreacting to short-term market volatility can endanger long-term results.

3. LONGEVITY

About one out of every four 65-year-olds today will live past age 90, and one out of 10 will live past age 95.

-Social Security Administration[6]

4. TAXES

The top marginal tax bracket for many retirees in 2016 was 39.6%. Minimizing this tax burden can help stretch savings.

-TaxFoundation.org[7]

5. HEALTHCARE

Approximately 70% of Americans age 65 or older will need some type of long-term care.

-Administration on Aging[8]

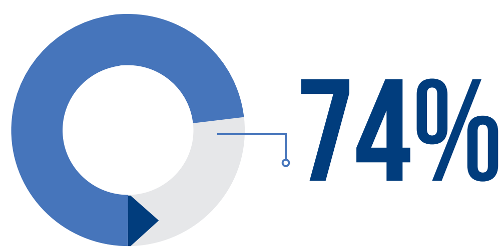
Demographic Statistics:

AMERIPRISE SURVEY[9]

47% of respondents plan to use home equity to help fund their retirement.

BOSTON COLLEGE CENTER FOR RETIREMENT RESEARCH[10]

74% of retirees will fall short of their income needs at 62 years old.



HECM loans are a powerful financial planning tool that can turn home equity into retirement security.

AGE *62*

STATUS *Retired*

HOME VALUE *$350K (no mortgage)*

CURRENT PORTFOLIO *$600K*

DESIRED WITHDRAWAL RATE *5.8%*

NEEDS PORTFOLIO TO LAST *30+ years*

DISTRIBUTION GOAL *Maintain short-term liquidity and mitigate need to protect long-term investment portfolio, especially during bear markets.*

PORTFOLIO SURVIVABILITY *64%*

-not actual borrower, example for informational purposes only

MEET HANK

Hank is a recent retiree who is looking forward to enjoying the fruits of his labor. Hank worked closely with his advisor to grow his nest egg, but his portfolio took a $117,000 hit during the recession in 2008, which is on par with the average amount most Baby Boomers lost[1].

Thanks to his advisor, he's back on track, but he understands that the loss will impact his quality of life during retirement. Knowing this, Hank wants to have an intelligent plan in place to make sure his money lasts at least 30 years, especially if the market goes through more volatility.

Applied strategically, a HECM loan can significantly increase the probability that Hank's portfolio will last by acting as a tax-free* income supplement to buffer drawing down his portfolio.

HERE'S HOW

Using Monte Carlo simulations[2] and Hank's current $600,000 portfolio balance with a withdrawal rate of 5.8% ($35,000 a year for living and other expenses), Hank's portfolio will only have a 64% survival rate over 30 years[3].

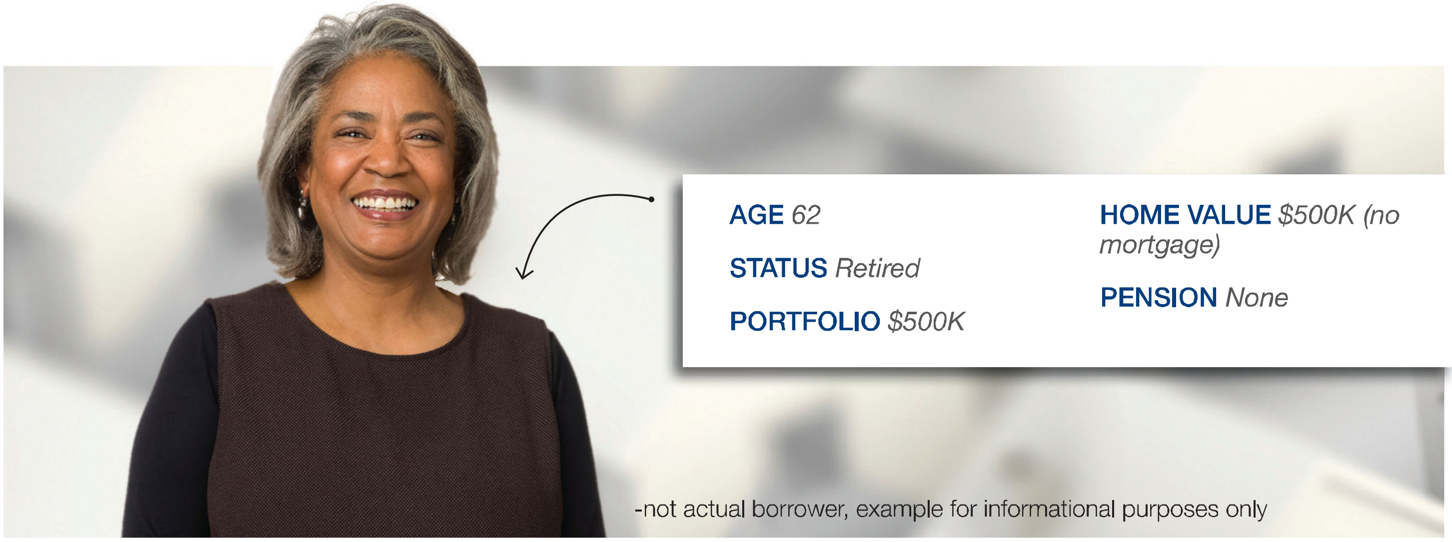
Making up a $100K+ loss is not an easy feat. By utilizing a HECM, **Hank is able to access his equity and buffer his portfolio withdrawal rate from 5.8% to 4% giving his portfolio a 93% survivability rate over 30 years[4], all while continuing to own and live in his own home without monthly mortgage payments.**** (As the borrower, Hank must continue to pay property taxes, homeowner's insurance, and home maintenance costs.)

**Consult your tax advisor.*

***Borrower must continue to pay property taxes, homeowner's insurance, and home maintenance costs.*

This is one of many ways a HECM loan can help provide your client a **sustainable** and **secure** retirement.

IMPORTANT: The projections or other information generated by simulations regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results. Calculators are made available to you as educational tools for your independent use and are not intended to provide financial planning or investment advice. These tools help you see which factors are most important to consider in making a particular financial decision, and they illustrate the relative impact of each factor on the projected outcome.



AGE *62*

STATUS *Retired*

PORTFOLIO *$500K*

HOME VALUE *$500K (no mortgage)*

PENSION *None*

-not actual borrower, example for informational purposes only

MEET BARBARA

Barbara is a recent retiree who is trying to decide the proper time to draw her Social Security benefits. Based on her goals, her projected living expenses are $60,000 per year. If she spends that percentage of her current investment portfolio year after year, she will deplete her funds short of her goal to make it last 30 years- with no pension to make up the difference. Barbara believes that drawing upon Social Security is her only option.

After meeting with her advisor, she learns that in order to make the most of Social Security benefits, she should wait until age 70 to collect the highest amount. By utilizing a HECM loan to supplement her retirement income during the eight-year deferral period, Barbara can ensure that she receives maximum benefits without having to drain her investment portfolio to reach her goals.

This is just one of many dynamic strategies that uses a HECM loan to help homeowners 62+ reach their long-term goals.

Contact your Reverse Mortgage Professional today!

"Outside of Social Security benefits, home equity is the largest asset for the average retiree. The big misconception many people have about reverse mortgages relates to when it is best to use them in retirement. Most people think it's a product for use at the end of retirement, when the retiree is out of other assets. However, research has shown that in most cases it is far better to use reverse mortgages early in retirement to reduce market risks and help improve cash flow."

-Professor Jamie Hopkins, The American College of Financial Services, 2016

Strategies For Intelligent Asset Allocation

Utilize these effective strategies to help
balance your client's short-term concerns with long term goals
to maximize portfolio longevity.

UTILIZE A HECM TO BUFFER SPENDING

1. A HECM loan can be used in early retirement as a tax-free* income source to ease sequence return risk by buffering spending from portfolios in down markets. A HECM can be used for this purpose with monthly payments, a lump sum, or a combination of the two. The use of a HECM as an income supplement and the elimination of monthly mortgage payments** can also allow for better tax planning opportunities, such as Roth conversions.

UTILIZE A HELOC WITH GROWTH POTENTIAL

2. A reverse mortgage loan can also be used as a Home Equity Line of Credit to make a portion of the home equity a liquid asset that can grow independently based on factors other than the housing market. This is a great way to create cash reserves by ending monthly mortgage payments**, diversifying your assets, and helping to minimize risk.

UTILIZE A HECM FOR PURCHASE

3. A HECM for purchase loan can help buyers 62 and over buy a new home with a down payment and use the HECM loan to cover the rest of the mortgage. The borrowers can live in the home for the remainder of their lives with no monthly mortgage payments** as long as they comply with the loan terms. This is excellent for buyers who are looking to rightsize, as the potential borrower can use part of the proceeds from the sale of the previous home as a down payment and keep the remainder of the sale proceeds to fund their retirement.

These strategies can help your client reach their goals and feel confident about being financially prepared for emergencies while maintaining their desired quality of life.

Simple and effective.

Consult your tax advisor. Borrowers must continue to pay for property taxes, homeowner's insurance, and home maintenance costs.*

Find out how a HECM can provide your client with a more secure retirement TODAY.

Call us for more information.

EQUAL HOUSING OPPORTUNITY

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*Loan proceeds are paid tax free; consult your tax advisor. ** If you qualify and your loan is approved, a HECM Reverse Mortgage must pay off your existing mortgage(s). With a HECM/Reverse Mortgage, no monthly mortgage payment is required. Borrower must continue to pay for property taxes, homeowner's insurance and home maintenance.

[1]Source: Retirement Derailers survey released by Ameriprise Financial in February 2013. Koski research interviewed 1,000 working Americans ages 50–70 with at least $100,000 in investable assets. [2]Monte Carlo simulation method produces a range of estimated portfolio outcomes an investor may experience over a designated period. Monte Carlo is not offered as a tool for forecasting market performance or determining a sustainable withdrawal rate during retirement. It does not reflect historical returns of any portfolio mix or asset class, and should not serve as a guide or substitute for ongoing management of wealth during retirement. [3]Scenario created via Vanguard 'Retirement Nest Egg Calculator, retrieved from:https:// retirementplans.vanguard.com/VGApp/pe/pubeducation/calculators/RetirementNestEggCalc.jsf on 17 May 2016. Calculations are based on the initial balance of the retiree's portfolio at $600,000 based on the portfolio being invested at 60% stocks and 40% bonds. Calculations of investment gain/loss and of retirement income withdrawal of 5.8% are performed each year in a 30 year period based on historical data. [4]Scenario created via Vanguard 'Retirement Nest Egg Calculator, retrieved from: https://retirementplans.vanguard.com/VGApp/pe/pubeducation/calculators/RetirementNestEggCalc.jsf on 17 May 2016. Calculations are based on the initial balance of the retiree's portfolio at $600,000 based on the portfolio being invested at 60% stocks and 40% bonds. Calculations of investment gain/loss and of retirement income withdrawal of 4% are performed each year in a 30 year period based on historical data. [5]"The Disappearing Defined Benefit Pension and Its Potential Impact on the Retirement Incomes of Baby Boomers", Social Security Administration, 2009, https://www.ssa.gov/policy/docs/ssb/v69n3/v69n3p1.html 6"Calculators: Life Expectancy", Social Security Administration, 2016, https://www.ssa. gov/planners/lifeexpectancy.html 7"2016 Tax Brackets", Tax Foundation, 2015, http://taxfoundation.org/article/2016-tax-brackets 8"Who Needs Care?" Administration on Aging, 2016, http:// longtermcare.gov/the-basics/who-needs-care/ 9"Retirement Check-In Survey", Ameriprise Financial, 2013, http:// newsroom.ameriprise.com/images/20018/Retirement%20Check-In%20Research%20Report%202-13.pdf 10 "Are Retirees Falling Short? Reconciling the Conflicting Evidence.", Center for Retirement Research at Boston College, http://crr.bc.edu/wp-content/uploads/2014/11/wp_2014-16.pdf.

These materials are not from HUD or FHA and were not approved by HUD or a government agency. A reverse mortgage increases the principal mortgage loan amount and decreases home equity (it is a negative amortization loan).

When the loan is due and payable, some or all of the equity in the property no longer belongs to borrowers, who may need to sell the home or otherwise repay the loan with interest from other proceeds. The lender charges an origination fee, mortgage insurance premium, closing costs and servicing fees (added to the balance of the loan). The balance of the loan grows over time and The lender charges interest on the balance. Interest is not tax-deductible until the loan is partially or fully repaid.

Borrowers are responsible for paying property taxes, homeowner's insurance, maintenance, and related taxes (which may be substantial). We do not establish an escrow account for disbursements of these payments. A set-aside account can be set up to pay taxes and insurance and may be required in some cases. Borrowers must occupy home as their primary residence and pay for ongoing maintenance; otherwise the loan becomes due and payable. The loan also becomes due and payable (and the property may be subject to a tax lien, other encumbrance, or foreclosure) when the last borrower, or eligible non-borrowing surviving spouse, dies, sells the home, permanently moves out, defaults on taxes, insurance payments, or maintenance, or does not otherwise comply with the loan terms.