2024 · WHAT ISSUES SHOULD I CONSIDER WHEN USING A REVERSE MORTGAGE?

Retirement Planning Education
with Andy Panko, CFP®, RICP®, EA

GENERAL ISSUES	YES	NO
Do you have general concerns about using a Home Equity Conversion Mortgage (i.e., HECM or "reverse mortgage")? If so, consider how HECMs have become more regulated over time to increase protections for borrowers, allow more flexibility for non-borrowing spouses, and ensure the long-term sustainability of the federal government's HECM program.	☐	☐
Do you need to review whether you are eligible for a HECM? If so, consider whether you and your property meet the criteria for using a HECM (e.g., age 62 or older, no federal debt, house is your primary residence, home meets FHA property standards, etc.).	☐	☐
Are you (or is your spouse) considered a "non-borrowing" spouse (e.g., under the age of 62)? If so, be mindful that eligible non-borrowing spouses (e.g., was married and lived in the property at the time of closing, is properly named in the loan documents, etc.) may continue to stay in the home and defer loan repayment even after the borrowing spouse passes away (or leaves for qualified medical reasons). However, access to the HECM (e.g., line of credit, tenure payments, etc.) will cease at that time.	☐	☐
Do you need to review when you should open a HECM? If so, consider whether opening a HECM sooner (if initially unused) may give you greater access to equity in your home than if opened later, due to the growth of the available line of credit over time.	☐	☐

GOAL COORDINATION ISSUES	YES	NO
Are you looking for additional ways to protect yourself from outliving your assets or to support your living expenses? If so, consider establishing a HECM growing line of credit (i.e., access to home equity) or tenure payment option (i.e., lifetime income) as an additional hedge against longevity risk or for extra support with expenses.	☐	☐
Are you concerned about having enough cash or liquidity to handle spending shocks or unexpected expenses? If so, consider establishing a HECM growing line of credit as an additional emergency fund. (continue on next column)	☐	☐

GOAL COORDINATION ISSUES (CONTINUED)	YES	NO
Do you currently have a traditional mortgage, and are you concerned about the demand it has on your cash flow? If so, consider eliminating your existing mortgage payment by refinancing into a HECM. Be mindful that you will need enough equity in your home in order to eliminate your mortgage payment.	☐	☐
Do you wish to delay taking your Social Security benefits? If so, consider using a HECM term payment or growing line of credit to temporarily cover your necessary living expenses while you delay taking your Social Security retirement benefits.	☐	☐
Do you need to review how a HECM could support your healthcare or long-term care (LTC) needs? If so, consider using a HECM to help fund LTC insurance, to fund home repairs/upgrades to support "aging in place," or as a supplemental asset for future LTC expenses (especially if uninsurable).	☐	☐
Are you concerned about feeling pressure to withdraw from your portfolio when markets are down (i.e., sequence of returns risk)? If so, consider using a HECM growing line of credit as a "buffer asset" to withdraw from during years when the market is down.	☐	☐
Do you need to review how a HECM can be coordinated with other tax planning goals? If so, consider whether HECM distributions (which don't affect AGI/MAGI) may complement other tax planning strategies (e.g., paying taxes on Roth conversions or harvested gains, reducing Social Security taxation, keeping Medicare Part B premiums low, etc.). Payments toward your HECM interest may be "bunched up" to maximize itemized deductions in strategic years (if the HECM is used to buy, build, or substantially improve your home), but be mindful of the tax complexities associated with HECM repayments.	☐	☐
Are you concerned that your heirs will not inherit your home if you use a HECM? If so, understand that your heirs will only owe the lesser of the HECM balance or 95% of your home's appraised value, and be mindful of how the use of a HECM may preserve the availability of other financial resources (e.g., investment assets) that may allow repayment by heirs and/or increase your overall legacy.	☐	☐

2024 · WHAT ISSUES SHOULD I CONSIDER WHEN USING A REVERSE MORTGAGE?

Retirement Planning Education
with Andy Panko, CFP®, RICP®, EA

RISK ISSUES	YES	NO
Is there a high probability that you won't stay in your home for a long time? If so, consider whether you'd stay in your home long enough to make up for the higher costs associated with HECMs. Be mindful that moving (other than for qualified medical reasons) will cause your HECM loan to come due.	☐	☐
Are you struggling to keep up with important home-related expenses (e.g., property taxes, homeowners insurance, maintenance, upkeep, HOA fees, etc.)? If so, understand that certain "set-asides" may need to be taken out of your HECM's principal limit in order to cover these expenses. Be mindful that your HECM may come due if you fail to meet these obligations.	☐	☐
Do you receive any benefits from means-tested government welfare programs (e.g., Medicaid, Supplemental Security Income, etc.)? If so, consider whether HECM distributions may jeopardize your continued eligibility of certain benefits.	☐	☐
Are you concerned about the price of your home dropping in the future? If so, consider establishing a HECM growing line of credit as a hedge to protect against a decline in your home's value.	☐	☐
Do you need to review the impact that a natural disaster could have on your HECM loan? If so, consider reviewing your homeowners insurance policy to ensure you have adequate coverage. Your HECM may become due if you are unable to rebuild your home (due to lack of coverage) or if you are forced to move to a new location.	☐	☐
Do you need to review how interest rates might affect your HECM options? If so, consider the effects that low or high interest rate environments may have on your HECM strategy (e.g., principal limit, payout rate, line-of-credit growth, etc.). A HECM can be refinanced at a later date (if interest rates favorably change), but be mindful of the costs.	☐	☐

PURCHASING ISSUES	YES	NO
Do you need to review the up-front and ongoing costs associated with HECMs? If so, consider all costs associated with a HECM (e.g., origination fee, initial insurance mortgage premium, closing costs, lender's margin, annual mortgage insurance premium, etc.) and how they may affect your HECM options. Be sure to ask your lender for a range of quotes (higher up-front costs vs. higher ongoing lender's margin), as the strategic "shifting of costs" can affect your initial principal limit, the growth rate on your line of credit, and the payout rate of tenure and term options.	☐	☐
Is your home worth more than $1,149,825 (2024 FHA lending limit)? If so, consider whether a proprietary reverse mortgage may be a better fit for you. Be mindful that some proprietary reverse mortgages may not carry the same federal protections as a HECM.	☐	☐

OTHER ISSUES	YES	NO
Are you considering a home equity line of credit (HELOC) as an alternative to a HECM line of credit? If so, be mindful that, unlike HECMs, a HELOC requires payments, does not grow, may require proof of income, and could potentially be canceled, frozen, or reduced.	☐	☐
Are you considering purchasing an income annuity as an alternative to a HECM tenure payment? If so, be mindful that, unlike HECM tenure payments, income annuities are affected by gender and require a lump sum in order to fund their payout.	☐	☐
Do you need to review any state-specific issues regarding your HECM decision? If so, consider whether your state has any unique rules that may affect your situation (e.g., limitations on proprietary reverse mortgages, limitations for non-borrowing spouses, etc.).	☐	☐

The information provided herein was obtained from sources believed to be reliable and is believed to be accurate as of the time presented, but is without any express or implied warranties of any kind. Neither Andy Panko EMC LLC nor Andy Panko warrant that the information is free from error.

The information provided herein is not advice specific to you or your circumstances but is instead general tips and education. None of the information provided herein is intended as investment, tax or legal advice. Your use of the information is at your sole risk. Before considering acting on any information provided herein, you should consult with your investment, tax or legal advisor.

Under no circumstances shall Andy Panko EMC LLC or Andy Panko be liable for any direct, indirect, special or consequential damages that result from your use of, or your inability to use, the information provided herein.

This information is not intended as a recommendation, offer or solicitation to buy, hold or sell any financial instrument or investment advisory services.

Andy Panko, CFP®, RICP®, EA
www.RetirementPlanningEducation.com