

RETIREMENT & HOME FINANCING

A practical guide to making your home part of a smart retirement strategy.

THE ADVOCATE DIFFERENCE

Your home may be one of your largest assets. Retirement is a good time to make sure it's working for you - not against you.

Your Home Is Part of Your Retirement Picture

For most of our working lives, the mortgage conversation is fairly straightforward. We buy a home. We make the payments. We build equity. And somewhere along the way, many of us develop the idea that the ultimate goal is to have the house completely paid off.

That can be a wonderful goal. But as you approach retirement, I think the conversation should become broader.

Your home is more than a place to live. It may also represent a significant portion of your net worth.

**Instead of simply asking, “How quickly can I pay off my mortgage?”
I think we should also ask, “How does my home fit into my overall retirement plan?”**

The answer will be different for everyone.

— Tom English, Your Home Loan Advocate

1. Retirement Changes the Mortgage Conversation

During your working years, income generally comes from a paycheck. In retirement, income may come from several places:

- Social Security
- Pensions
- Retirement accounts
- Investments
- Rental income
- Savings
- Other assets

That changes the way I think about home financing with you. Maybe you want the house completely paid off. Maybe preserving your investment portfolio is more important. Maybe you want to purchase a retirement home without putting all of your cash into it. Maybe you'd like to improve monthly cash flow.

THERE IS NO ONE RIGHT ANSWER

There isn't one correct retirement mortgage strategy. There is only the strategy that makes sense for your circumstances, your goals and your comfort level.

2. Start With the Life You Want to Live

Before we talk about mortgages, I want to talk about retirement.

- Stay in your current home?
- Downsize?
- Move to Florida?
- Buy closer to family?
- Travel more?
- Maintain two homes?
- Age in place?
- Reduce monthly expenses?
- Preserve more cash and investments?

Those questions matter. A mortgage decision that makes sense for someone planning to remain in a home for 20 years may make very little sense for someone planning to move in three.

START WITH THE PLAN

The financing should support the retirement plan - not become the retirement plan.

3. Your Home Equity Can Be One of the Tools in Your Retirement Plan

For many people, their home is one of the largest assets they've accumulated by the time they retire.

The question isn't simply how much equity you have. It's how you choose to manage that equity as part of your overall retirement strategy.

That might mean paying off your mortgage and owning the home free and clear. It might mean keeping a low-rate mortgage and preserving other assets. It might mean downsizing, using some of the equity to purchase your next home, or - when appropriate - using a reverse mortgage to access a portion of that equity.

ONE MORE RETIREMENT TOOL

Managing the equity in your home is simply one more tool we can use to help create a successful and comfortable retirement.

Your home shouldn't be looked at in isolation. It's one piece of your overall financial picture.

4. Should You Pay Off the Mortgage Before Retirement?

This is a question I hear frequently. And my answer is: maybe.

Having no mortgage payment can provide tremendous peace of mind. But paying off a mortgage may also require moving a substantial amount of money from savings or investments into the house.

Once that money becomes home equity, accessing it again may require borrowing against the home or selling it.

- What interest rate are you paying?
- Where will the payoff money come from?
- How much liquidity will remain?
- What other income and assets do you have?
- How important is being debt-free to you personally?
- How long do you expect to remain in the home?

This isn't simply a mathematical decision. Peace of mind has value too.

LOOK AT YOUR SITUATION

I don't believe everyone should carry a mortgage into retirement - and I don't believe everyone should rush to pay one off.

5. Cash Flow Matters in Retirement

During your working years, you may focus heavily on income. In retirement, cash flow often becomes just as important.

- Mortgage payment
- Property taxes
- Homeowners insurance
- HOA or condominium fees
- Utilities
- Maintenance
- Repairs

And here in Florida, taxes and insurance deserve particular attention.

A beautiful retirement home isn't very enjoyable if maintaining it leaves you financially uncomfortable every month.

COMFORT MATTERS

What can you comfortably afford and still go out to dinner and take a vacation? Retirement shouldn't mean becoming house-rich and life-poor.

6. Buying a Home After You Retire

Retirement doesn't mean you can't obtain a mortgage. It does mean we may document income differently.

- Social Security
- Pension income
- IRA or retirement-account distributions
- Investment income
- Rental income
- Annuities
- Employment or self-employment
- Certain assets, when permitted under applicable guidelines

There are rules surrounding how different income sources can be documented and how long they must be expected to continue.

LET ME SOLVE THE FINANCING PIECE

That's my problem to solve - not yours. Don't assume that being retired means you can't qualify for traditional financing. Let's look at the entire financial picture first.

7. How Much Should You Put Down on a Retirement Home?

Suppose you sell your current home and walk away with substantial equity. Do you put all of it into the next house? Maybe. But not automatically.

A larger down payment can reduce your mortgage and monthly payment. Keeping some of that money available can preserve liquidity for:

- Travel
- Emergencies
- Home improvements
- Healthcare expenses
- Investments
- Helping family
- Simply enjoying retirement

LIQUIDITY HAS VALUE

The right answer isn't necessarily the largest possible down payment. Sometimes having money available is more valuable than having additional money trapped in the walls of the house.

8. Your Home Equity Is an Asset

For many retirees, their home represents one of their largest assets. Yet it's an unusual asset.

You can have a \$600,000 house with no mortgage and still not have \$600,000 available to spend. The equity is there - but it's tied up in the property.

Traditionally, there are three basic ways to access that equity:

- Sell the home
- Borrow against it
- Use a reverse mortgage, if eligible and appropriate

None of those choices is automatically right or wrong. They're tools. And like any financial tool, the question is what you're trying to accomplish.

9. What Is a Reverse Mortgage?

A reverse mortgage allows an eligible older homeowner to access a portion of the equity in a primary residence without requiring the traditional monthly principal-and-interest mortgage payment.

The most common type is the Home Equity Conversion Mortgage, or HECM, which is insured by the Federal Housing Administration. HECM borrowers must meet program eligibility requirements, including age and occupancy requirements, and complete required independent counseling.

Depending on the transaction and program, proceeds may potentially be structured in different ways, including a lump sum, monthly advances, a line of credit or combinations of available options.

The homeowner retains title to the home.

AN IMPORTANT POINT

You are not giving the house to the bank. You continue to own it.

10. “If I Don't Make a Mortgage Payment, What's the Catch?”

That's a fair question. A reverse mortgage isn't free money.

Interest and applicable charges accrue against the loan balance over time. Instead of the balance generally declining as you make monthly principal-and-interest payments, the reverse-mortgage balance can increase as interest, financed costs and advances are added.

Your remaining home equity can therefore decrease over time.

IT IS STILL A MORTGAGE

I don't describe a reverse mortgage as a way to get “free money from your house.” It is a mortgage. The difference is in how and when the loan is repaid.

11. You Still Have Responsibilities

Eliminating a required monthly principal-and-interest mortgage payment does not eliminate the responsibilities of homeownership.

- Pay property taxes
- Maintain homeowners insurance
- Keep the property in acceptable condition
- Pay applicable HOA or condominium obligations
- Occupy the property as required for the loan

Those obligations matter. Failure to meet the loan requirements can create serious problems, including the possibility that the loan becomes due and payable.

KNOW THE DIFFERENCE

A reverse mortgage changes the mortgage payment. It doesn't eliminate the cost of owning a home.

12. Why Would Someone Consider a Reverse Mortgage?

This is where I think the conversation becomes interesting.

A reverse mortgage isn't necessarily about someone “running out of money.” It can potentially be used strategically.

- Improve monthly cash flow
- Pay off an existing mortgage
- Access home equity without selling
- Create an additional source of available funds
- Help fund improvements for aging in place
- Purchase another primary residence
- Preserve other assets for a period of time
- Create additional financial flexibility in retirement

A reverse mortgage doesn't have to be your retirement plan. For the right person, it may simply be one piece of a larger retirement strategy that includes Social Security, pensions, investments, retirement accounts, insurance, estate planning and other assets.

That's why I don't look at your home equity in isolation. I want to understand how it fits into the bigger picture.

START WITH THE GOAL

I don't start with "Do you want a reverse mortgage?" I start with: "What are you trying to accomplish?" The goal isn't simply to access home equity. It's to determine whether using that equity helps support the retirement you've planned.

13. You Can Use a Reverse Mortgage to Purchase a Home

This surprises a lot of people.

An eligible borrower can potentially use a HECM to purchase a primary residence.

Instead of buying the retirement home entirely with cash or obtaining a traditional mortgage requiring monthly principal-and-interest payments, the buyer contributes the required funds and finances the remainder through the HECM.

The amount available depends on program factors such as the age of the youngest borrower or eligible non-borrowing spouse, current interest rates and the applicable property value or purchase-price limits.

LOOK AT THE ENTIRE RETIREMENT PICTURE

Rather than automatically putting every available dollar into the next home, we can compare the choices. The question isn't whether you can do it. It's whether doing it improves your overall retirement plan.

14. What Happens to the Home Later?

This is understandably one of the biggest concerns.

A reverse mortgage generally becomes due and payable after certain events, such as when the last eligible borrower dies, sells the home, permanently leaves it as a principal residence, or otherwise fails to meet the loan requirements.

The home doesn't simply become the lender's property. Your heirs generally have choices, subject to the loan and program requirements.

- Sell the home and repay the reverse mortgage
- Repay the loan and keep the home
- Use other financing to retain the property

A HECM is a non-recourse mortgage. Federal HECM protections limit personal liability in accordance with program rules, including circumstances in which the loan balance exceeds the property's value.

YOUR HEIRS STILL HAVE CHOICES

Your heirs don't automatically lose the house because you had a reverse mortgage. But they do need to understand that the mortgage must ultimately be addressed.

15. What About a Spouse?

This deserves careful attention.

Reverse-mortgage rules involving spouses can depend on whether the spouse is a borrower or an eligible non-borrowing spouse, along with age, occupancy and other program requirements.

This isn't an area where I like making assumptions. If you're married, we need to understand exactly how the loan affects both spouses before moving forward.

PROTECT THE HOUSEHOLD

A retirement financing strategy should protect the household - not just solve today's problem.

16. A Reverse Mortgage Isn't for Everyone

I think this is important to say plainly.

There are situations where I would not be particularly enthusiastic about a reverse mortgage. For example:

- You expect to move soon.
- You don't intend to remain in the home long enough for the strategy to make sense.
- You can comfortably accomplish the same goal another way.
- The costs outweigh the benefit.
- Preserving maximum home equity for heirs is your overriding priority.
- You may have difficulty maintaining taxes, insurance or the property.

There may also be alternatives worth considering:

- Keeping your existing mortgage
- Traditional refinancing
- A home equity line or second mortgage
- Selling and downsizing
- Using other assets
- Doing nothing

DOING NOTHING CAN BE A GOOD DECISION

Sometimes the best reverse-mortgage conversation ends without a reverse mortgage. I'm perfectly comfortable with that.

17. Bring Your Other Trusted Professionals Into the Conversation

A home-financing decision can affect more than your mortgage. It can touch your cash flow, investments, taxes, estate plan and the people you want to protect.

When appropriate, I encourage clients to include the other professionals they trust in the conversation.

- Financial advisor
- CPA or tax professional
- Estate-planning attorney
- Insurance professional
- Other trusted advisors

I'm happy to work alongside them. Each of us brings a different perspective. Your CPA may be thinking about taxes. Your financial advisor may be thinking about investments and income. Your estate-planning attorney may be thinking about your estate and the people you want to protect.

My role is to help everyone understand the home-financing piece and how managing the equity in your home may fit into the larger retirement strategy.

DON'T PLAN IN SILOS

I don't need to replace the professionals already advising you. I'd much rather work with them. Your home,

your investments, your income and your estate plan are all pieces of the same financial life.

Your Retirement Home Financing Checklist

Start With Your Retirement Plan

- ☐ Decide how long I expect to remain in my home
- ☐ Think about whether I want to age in place
- ☐ Consider whether I may move or downsize
- ☐ Review my expected retirement income
- ☐ Review my liquid savings and investments
- ☐ Estimate my monthly housing expenses
- ☐ Think about how important being mortgage-free is to me
- ☐ Consider how much liquidity I want to maintain
- ☐ Think about how my home equity fits into my overall retirement strategy

If You're Buying a Retirement Home

- ☐ Establish a comfortable monthly housing budget
- ☐ Estimate proceeds from the sale of my current home
- ☐ Decide how much cash I want to put into the next home
- ☐ Decide how much cash I want to keep available
- ☐ Compare traditional financing with other available strategies
- ☐ Consider a HECM for Purchase if eligible and appropriate
- ☐ Estimate taxes, insurance, HOA and CDD expenses
- ☐ Consider long-term maintenance and accessibility

Your Retirement Home Financing Checklist

If You're Considering a Reverse Mortgage

- ☐ Understand how the loan works
- ☐ Understand how interest and charges accrue
- ☐ Understand my ongoing property obligations
- ☐ Review the costs
- ☐ Discuss spouse protections
- ☐ Understand what happens when I leave the home
- ☐ Understand what my heirs will need to do
- ☐ Compare the reverse mortgage with reasonable alternatives
- ☐ Include family or trusted advisors if I want them involved
- ☐ Complete required independent HECM counseling

My Retirement & Home Worksheet

Planning Item	My Information
Current home value	\$ _____
Current mortgage balance	\$ _____
Current monthly housing payment	\$ _____

Expected retirement income	\$ _____ / month
Estimated monthly housing budget	\$ _____
Estimated home equity	\$ _____
Expected proceeds if I sell	\$ _____
Target price for my next home	\$ _____
Cash I would like to keep available	\$ _____
How long I expect to remain in the home	_____
Leaving the home to heirs	Very / Somewhat / Not a Primary Goal

My biggest retirement housing priority:

What would I like my home equity to accomplish?

7 Questions to Ask Before Making a Retirement Mortgage Decision

1. How long do I realistically expect to live in this home?
2. How important is eliminating my mortgage payment to me?
3. How much cash and liquidity do I want to maintain?
4. Would paying off the house require using money I'd rather keep available?
5. Could thoughtfully managing my home equity improve my retirement cash flow or flexibility?
6. How would the decision affect my spouse, family and estate plan?
7. Will this strategy help me live the retirement I actually want?

One Last Thought

You've spent years building equity in your home.

There is nothing wrong with wanting to preserve every dollar of it. And there is nothing wrong with thoughtfully using some of it to improve your life in retirement.

The important thing is understanding the tradeoffs.

I don't believe a reverse mortgage should be sold to someone. I believe it should be explained.

We'll look at your home, your income, your assets, your goals and the people who matter to you. And when it makes sense, I'm happy to work alongside your other trusted professionals so we can understand how the home-financing decision fits into your overall retirement plan.

If a traditional mortgage makes more sense, that's what I'll tell you. If keeping your existing mortgage makes more sense, I'll tell you that too. And if thoughtfully managing some of your home equity gives you greater financial flexibility and helps you enjoy retirement, then it's worth understanding how that option works.

THE BIGGER PICTURE

Your home is part of your retirement plan. Let's make sure the financing - and the way you manage your equity - supports the life you want to live.

Thinking About Your Home and Retirement?

SCHEDULE A CONVERSATION

Choose a time that works for you. If you don't see a convenient time, just give me a call or send me a message.

You don't need to know whether you want a traditional mortgage, a reverse mortgage - or no mortgage at all - before we talk.

That's what the conversation is for.

START MY APPLICATION

Ready to move forward? You can start securely online from the Digital Office.