

## Reverse Mortgages: are they right for you?

### **Reverse mortgages: Are they right for you?**

If you are living in your home, town home or condo, at some point you may want to consider a reverse mortgage to provide you with monthly income.

### **How does a reverse mortgage work?**

A reverse mortgage is a special kind of loan on your home. Your home must be mortgage-free. However, if you still owe money on your mortgage, you can use the proceeds from the reverse mortgage to pay off your mortgage, as long as there is money left over.

### **Who qualifies?**

Usually you must own your home, live in it at least six months a year, and be over age 65.

### **How much money do you get?**

The payout depends on the value of your home, your age and current interest rates.

### **How is the money paid?**

Reverse mortgages can be paid a number of ways. Most common:

- An **immediate cash advance** at closing. You get a lump sum of cash paid to you on the first day of the loan. Usually this is for the entire loan amount. You can put this money into a savings account or invest it in an annuity to provide an income stream.
- A **monthly cash advance**. You can decide the term of the payments. They can be for a set number of years, for as long as you live in your home, or for the rest of your life if you use the money to buy an annuity.
- Some **combination** of the above.

The calculator at [www.aarp.org/revmort/](http://www.aarp.org/revmort/) will help you estimate what you could get from a reverse mortgage.

### **What happens when you die?**

The loan can be structured so that it is not due until BOTH spouses die. At that point, the lender seeks repayment. The lender has recourse only to your home, not to any other income or assets.

### **Are your heirs at risk?**

According to the "National Center for Home Equity Conversion," the lender has no recourse to your heirs. They say: "So even if you receive monthly loan

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advances until you are aged 115, your home declines in value between now and then, and the total of monthly advances becomes greater than your home's value - you can still never owe more than the value of your home. If you or your heirs sell your home in order to pay off the loan, the debt is generally limited by the net proceeds from the sale of your home.”

**How do I decide if a reverse mortgage is right for me?**

The decision to take out a reverse mortgage should be made in the context of your overall retirement planning. It's always a good idea to seek professional advice.

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