REVERSE MORTGAGES-ARE THEY THE RIGHT FIT FOR YOU?

Look at the reverse mortgage as one part of a larger strategy and one way to leverage their home asset and help maximize your income. A reverse mortgage may be a tool to help you spend your golden years with financial security.

A reverse mortgage is a loan against a home-equity line that can be issued as a lump sum, fixed installments, or a line of credit. Unlike the traditional forward mortgage, with a reverse mortgage loan payments are not required to be made by the borrower.

Borrowers must be 62 years old or older to qualify. The loan balance becomes due when the borrower dies, moves away, or sells the home. The reverse mortgage loan amount cannot exceed the property's value.

Reverse mortgages can either be FHA-backed home-equity conversion mortgages (HECMs) with a fixed loan amount but borrowers are required to pay mortgage insurance premiums or private reverse mortgages for borrowers with high-value homes.

Unfortunately, some scammers specialize in targeting older Americans trying to persuade homeowners to take out a reverse mortgage to cover the costs of repairs or as part of a house-flipping scheme. Be wary of anyone who approaches you about taking out a reverse mortgage. All reverse mortgages required you to meet with a HECM counselor.

Some conditions that indicate that a reverse mortgage might be the right for you are:

- You plan to stay in your house and have no short-term plans to move. This is a very important factor to consider because if the home is later sold borrowers are more likely to be subject to a capital gains tax if the loan amount exceeds the value of the property, the difference between the loan balance and the sale price is forgiven and thus counts as additional proceeds on the sale.

- Speak with your financial advisor for a responsible and strategic approach to the use of the funds. Consider coordinating the reverse mortgage payment with your existing investment portfolio such as drawing on reverse mortgage funds during a bear market.

- If you are in a tight financial spot a reverse mortgage may be a good fit, however, a reverse mortgage is not the right choice for every individual and you must consider possible alternatives. You must strategize with your financial advisor and tax advisor to determine if a reverse mortgage is a good fit or if you should consider downsizing, refinancing with a traditional mortgage or line of credit.

Caution: The tax law enacted a few years ago limits the deductibility of refinanced mortgages and lines of credit, therefor if a tax deduction is important to you, then you must speak with your tax advisor before refinancing your mortgage or obtaining a line of credit.