Senior Life Solutions
Your Reverse Mortgage Specialists!™

# REVERSE MORTGAGES AND ESTATE PLANNING

By Scott Kaul

The Reverse Mortgage should be considered as one of the many available options when addressing estate planning for an individual or a couple. As a non-recourse loan that releases home equity and converts it into tax-free cash, there are no restrictions on the use of the proceeds. In many situations it makes sense to utilize these funds as a vehicle to minimize estate and other inheritance taxes, and maximize legacy asset transfer.

The borrower continues to own the home, and no monthly payments are required for as long as the borrower resides in the home. The borrower also continues to receive the benefit of future home appreciation.

**Retain Sentimental Assets**

While a home may hold a great amount of sentimental value for a family, the reality is that in most cases the property is sold after the owner's death. At a time when they should be simply grieving, the heirs are often forced to sell the property and are at the mercy of the real estate's market condition at that time. Once the home is sold, the heirs may be faced with additional inheritance taxes from capital gains on the proceeds of the sale.

One way to avoid this eventuality is to use a portion of the proceeds of a reverse mortgage to purchase life insurance. Upon death of the senior homeowner, that policy can be used to retire the reverse mortgage debt and return the home free and clear back to the family members. The end result can be a debt free transfer of this sentimental asset, while still allowing the senior homeowner use of the remaining funds to maximize their quality of life.

**Funding for Healthcare or Long-Term Care Insurance**

Statistics show that for a couple turning 65 years old, there is a 75% chance that one of them will need Long-Term Care in their lifetime. However, only 12% of the population has made the necessary financials arrangements for this possibility. When a need for long-term

care arises, unprepared seniors are forced to use their savings or impact their monthly income in order to fund this unexpected expense. A reverse mortgage can relieve that burden by funding the cost of a Long-Term Care Insurance policy, while allowing the senior to remain in the home, remain as self-sufficient as possible, and not deplete existing savings or income. This option not only protects their assets, but can also relieve any potential burden on their families.

**Provide Funding for Estate Taxes While Maximizing Legacy Asset Transfer**

A reverse mortgage is a creative and effective way to release tax-free equity in a home to minimize estate taxes and maximize asset transfer. A portion of the reverse mortgage funds can be utilized to purchase a life insurance product, and secure the future for their heirs. The reverse mortgage can give homeowners, particularly those with substantial equity built up in their homes, the comfort of having more control over their estate. By doing so they can assure the legacy they leave behind retains its value by lowering the total estate value subject to taxes, and utilizing the proceeds from the life insurance policy to pay estate taxes.