REVERSE MORTGAGES CAN BE A **RETIREE'S SAVING GRACE.**

> With the baby boomer generation moving into retirement, we are ill-prepared as a society to provide housing alternatives and resources for this 30 million+ population, who in large part want to stay put in their current homes.

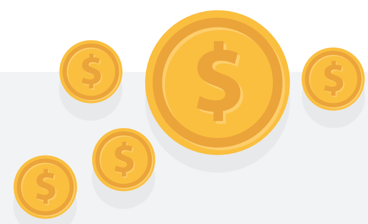
WHILE THERE ARE COUNTLESS REASONS WHY AN INDIVIDUAL MIGHT SEEK OUT A REVERSE MORTGAGE, **THERE ARE FOUR GREAT TECHNIQUES IN WHICH REVERSE MORTGAGES CAN BE STRATEGICALLY USED** TO IMPROVE A RETIREMENT INCOME PLAN.

Defer Social Security Benefits. If you needed income at 62 when you retire but didn't want to take Social Security early you could take a payment option from a reverse mortgage to provide you with the same amount of income in order to be able to defer Social Security.

Reduce Sequence of Returns Risk. Sequence of returns risk is one of the biggest risks retirees face when trying to withdraw money from a retirement portfolio and make the money last for their entire retirement.

Allow for Roth Conversions at a Low Tax Rate. Many retirees have some money in taxable accounts like an investment brokerage account and some money in a tax-deferred account like a 401(k) or traditional IRA.

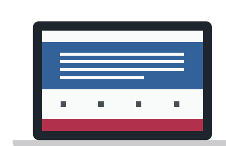
Reduce Retirement Expenses and Cash Outflow. For an individual with a small outstanding mortgage on his or her home, a reverse mortgage could be utilized as a way to pay off the outstanding mortgage and stop the continued outflow of cash each month in retirement from mortgage payments.



ACCORDING TO THE EMPLOYEE BENEFIT RESEARCH INSTITUTE (EBRI), AMERICANS ARE VASTLY UNPREPARED FOR RETIREMENT TO THE TUNE OF ROUGHLY:

$4.13 TRILLION

> Reverse mortgages, specifically the government-insured HECM, support strategies to help retirement-age homeowners 'age in place,' in a familiar setting where convenience and long-term relationships contribute to a preferable quality of life.



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FUNDING LONGEVITY TASK FORCE

Reverse Mortgages Can Be A Retiree's Saving Grace

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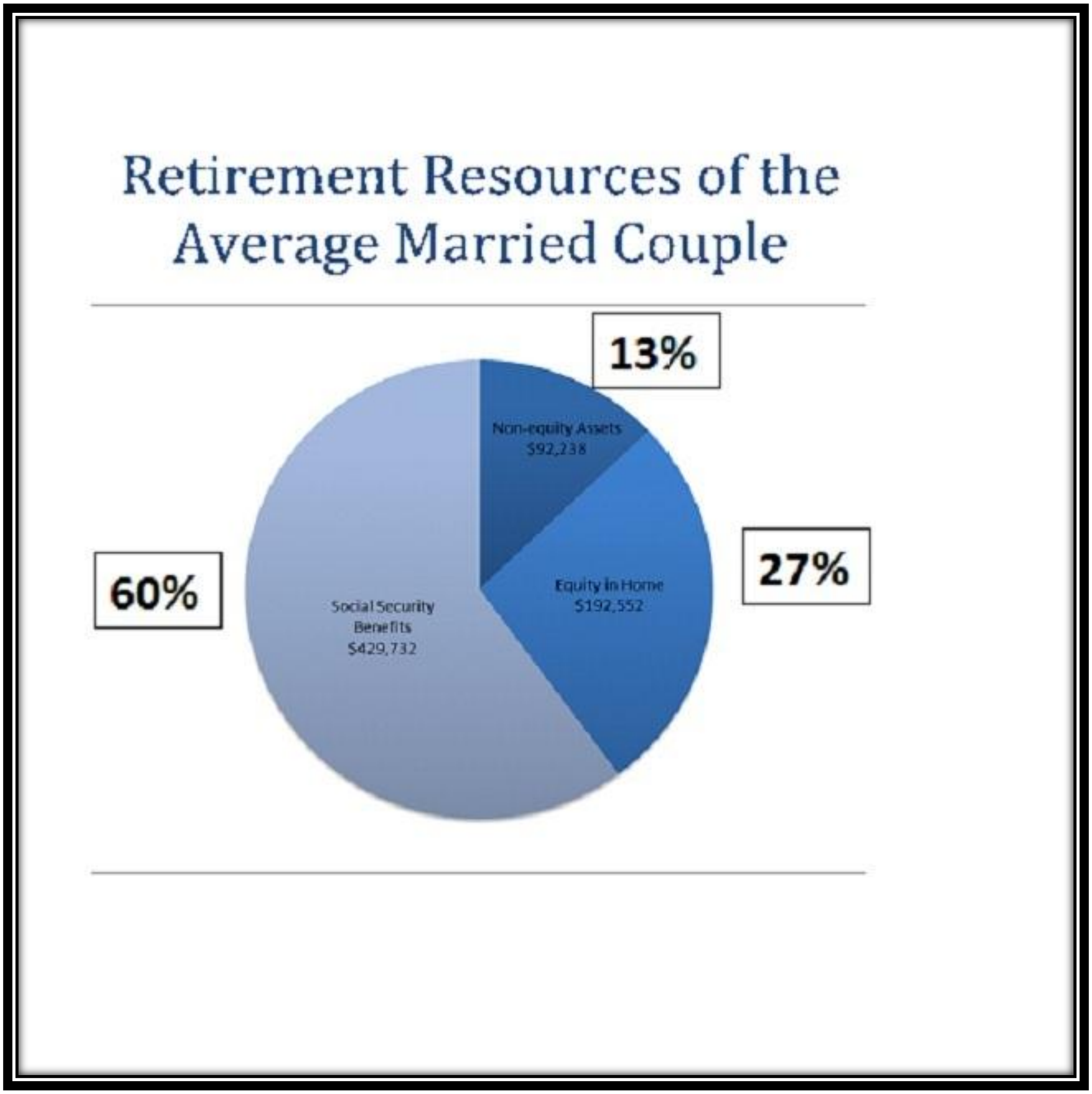
According to the Employee Benefit Research Institute (EBRI), Americans are vastly unprepared for retirement to the tune of roughly $4.13 trillion. EBRI projects that the retirement savings shortfall would be much worse if Social Security benefits are reduced or fully eliminated.

This should not be a major surprise because for roughly two-thirds of Americans, Social Security benefits will supply more than 50% of their retirement income. Social Security is far and away the largest retirement income asset of the average American.

The other two major sources of wealth for the average American are retirement savings and home equity. While Social Security and retirement savings accounts get a lot of attention during retirement planning, home equity is often largely ignored as a possible income source.

“With the baby boomer generation moving into retirement, we are ill-prepared as a society to provide housing alternatives and resources for this 30 million+ population, who in large part want to stay put in their current homes,” said ReverseVision President & CEO, John Button. “Reverse mortgages, specifically the government-insured HECM, support strategies to help retirement-age homeowners ‘age in place,’ in a familiar setting where convenience and long-term relationships contribute to a preferable quality of life.”

The lack of focus on home equity in retirement income planning is nothing short of a complete failure to properly plan and utilize all available retirement assets. This needs to change immediately because strategic uses of home equity, especially reverse mortgages, could save many people from financial failure in retirement and help stem the overall retirement income crisis facing Americans.



Source: Net Worth Data from U.S. Census Bureau, Survey of Income and Program Participation, 2008 Panel, Wave 10; Present value of Social Security benefits based on a worker with $60,000 of wages, and a same aged nonworking spouse. The worker's PIA is estimated at $1,557 (calculated using the Social Security Quick Calculator). Benefits are claimed at 66 and the worker dies at 84 and the spouse at 89. Present value was based on a 0% real rate of return (a current approximation of the risk free rate of return)

Owning a home has always been part of the American Dream. Even with declining percentages of homeownership in the United States, Americans still take a lot of pride in owning a home. Additionally, recent research from New York Life showed that Americans have a high level of confidence in building wealth through purchasing a home.

However, it is important to remember that housing has historically been a bad investment as homes on average tend to keep pace with inflation and do not offer any other investment gains. This does not mean you shouldn't purchase a home, as homeowners tend to see their wealth increase by more than those who rent instead. Not only is home equity a bad investment, but if not strategically used as part of a comprehensive retirement plan, home equity also becomes a bad retirement asset because it provides almost no returns above inflation and is not a readily liquid asset.

The good news is that home equity can be effectively utilized as part of a retirement income plan to dramatically improve one's financial security. Housing decisions in retirement should be viewed as a continuum of decisions over the course of retirement and not just a single decision you make before you retire. In fact, you will need to think about where you want to live, how long you want to live there, and if you will want to move later in retirement.

Once you figure out your desired lifestyle, you will then need to figure out how you will afford your housing and how you can best utilize your home equity to help support your retirement goals and needs. You can tap into your home equity in a variety of ways including: 1) selling your home and downsizing; 2) moving in with family members; 3) entering into a sale-leaseback arrangement; 4) using a conventional home equity loan; 5) utilizing any special purpose loans made available in your state; 6) home sharing/renting out rooms; and 7) securing a reverse mortgage.

While there are a variety of ways to utilize home equity as part of a retirement income plan, reverse mortgages deserve special attention and consideration. Unfortunately, many people hold strong reservations about reverse mortgages. It would be disingenuous to say that reverse mortgages have not had their issues in the past and were often poorly used. Additionally, it is a financial tool that is often misunderstood both by consumers and by financial service professionals. For example, Nobel Prize-winning economist Robert C. Merton, a finance professor at MIT's Sloan School of Management, recently stated "Americans have wrongly steered clear of reverse mortgages." This needs to change. Individuals and industry leaders need to better understand how reverse mortgages can be effectively used. A more widespread and better understanding of reverse mortgage strategies needs to occur in order to better serve America's senior population and retirees. To learn more about reverse mortgage basics, readNew Reverse Mortgage Rules Open Door To More Secure Retirement.

While there are countless reasons why an individual might seek out a reverse mortgage, there are four great techniques in which reverse mortgages can be strategically used to improve a retirement income plan.

1) **Defer Social Security Benefits.** If you needed income at 62 when you retire but didn't want to take Social Security early you could take a payment option from a reverse mortgage to provide you with the same amount of income in order to be able to defer Social Security. The reverse mortgage will likely be charging a rate around 4.5% in today's market while Social Security gives you guaranteed increases of 7-8% per year when you defer benefits. Anyone that is concerned about longevity and outliving their money should consider deferring Social Security and one way to accomplish this and still have income early in retirement is to use a reverse mortgage. (For a more detailed example of how this works, click here).

2) **Reduce Sequence of Returns Risk.** Sequence of returns risk is one of the biggest risks retirees face when trying to withdraw money from a retirement portfolio and make the money last for their entire retirement. While your stocks might average 8% over 30 years, you might only be able to withdraw 4% each year and make the money last for 30 years due to a poor sequence of returns in which you experience a lot of negative returns early in retirement.

Tapping into your home equity through a reverse mortgage HECM line of credit can be an effective way to reduce your sequence of returns risk and avoid selling your investments when they drop in value. For example, you can set up a HECM line of credit for a few thousand dollars at age 62. The line of credit will be guaranteed and will grow at a set interest rate.

If you do not borrow any money then you will not owe the bank anything more after the initial set up fees. But let's say the market drops 30% next year. Would you rather sell your stocks that are down 30% to get your retirement income or would you rather borrow from your home equity at 3-4% interest?

The answer is clear. You would be much better off using your home equity in a down market year. Doing this could substantially increase the sustainability of your retirement portfolio and help make your money last for a lifetime.

3) Allow for Roth Conversions at a Low Tax Rate. Many retirees have some money in taxable accounts like an investment brokerage account and some money in a tax-deferred account like a 401(k) or traditional IRA.

However, far less people have money saved in a Roth tax treatment account. Using a reverse mortgage early in retirement can help provide income to meet your retirement needs and allow for you to do Roth conversions at low tax rates.Because a reverse mortgage is a loan, it does not increase your taxable income. As such, you can tap into your home equity to provide retirement income and then convert a portion of your IRA at a low tax rate to get money into a Roth IRA.

Roth IRAs have many advantages that other savings accounts do not have. For instance, Roth IRAs are not subject to the required minimum distributions that IRAs and 401(k)s are subject to after age 70½. This means you can use your money in a Roth IRA when retired when you want to and not when the government says you have to use the money. Additionally, qualifying withdrawals from a Roth IRA are not treated as taxable distributions as your contribution and all investment gains come out tax free!

Taking non-taxable withdrawals can also keep your taxable income down so as to avoid taxation of Social Security benefits. Avoiding taxation of Social Security benefits can save a couple that both have a $2,000 a month Social Security benefit over $200,000 in taxes.

4) **Reduce Retirement Expenses and Cash Outflow.** For an individual with a small outstanding mortgage on his or her home, a reverse mortgage could be utilized as a way to pay off the outstanding mortgage and stop the continued outflow of cash each month in retirement from mortgage payments.

Now this strategy is not for everyone and is not always available due to the total amount of the outstanding mortgage compared to the equity in the home. However, in some cases it can be a good way to cut back retirement expenses and instead use your home equity to help keep you in your home. This can enable you to keep from having to sell off higher earning assets like your investment stocks in order to pay for your housing each month.

Strategic uses of home equity need to be part of every comprehensive retirement income plan. However, in order to get there both retirement planners and their clients need to garner a better understanding of reverse mortgages. There are educational programs like the Retirement Income Certified Professional® (RICP®) designation at The American College of Financial Services that are on the forefront of research and education by teaching retirement planners about strategic uses of home equity.

Additionally, compliance officers and legal changes must occur to allow a better and more seamless integration of home equity strategies into a retirement income plan. Reverse mortgages are a viable tool for retirement income planning, and while not for everyone, could serve as a saving grace for many baby boomers facing a retirement income shortfall.