

Illustrate a Reverse Mortgage

This is an input guideline for entering a reverse mortgage. It is assumed you know the details of the mortgage you are illustrating, such as the maximum amount of cash flow your client can take, this is only intended to show you how a typical reverse mortgage can be illustrated.

- 1 On the **Expected Cash Flow** tab, select and customize a schedule.
- 2 Enter the cash flow expected from the reverse mortgage. You will enter this same schedule in step 8, so you may want to highlight the values in the column and click the **Copy** button in the schedule's toolbar. When you get to step 8 you can then paste the column of data.

Client Workbook Edit Tools Options Help

Preliminary Data Desired Cash Flow **Expected Cash Flow** Retirement Plan Assets Liquid Assets Illiquid Assets Other Assets Gifts and Gift Tax Illustration Details Report Selections Done

Include Expected Cash Flow

After tax cash flow from:

Include Reverse Mortgage

Include Work After Retirement

Include Rental Property

Expected Cash Flow

Column heading: Reverse Mortgage

Change level amount
Amount: \$0

Level amount:
 in all retirement years
 from age: 60 to: 99

Year	Ages	After Tax Cash Flow from Reverse Mortgage	Including 0.00% Growth
1	60/55	0	0
2	61/56	0	0
3	62/57	0	0

OK Cancel Help

- 3 On the **Principal Residence** sub-tab, located on the **Illiquid Assets** tab, enter the current value of the residence used for the reverse mortgage.
- 4 Enter the growth assumption of the residence used for the reverse mortgage.

Preliminary Data Desired Cash Flow Expected Cash Flow Retirement Plan Assets Liquid Assets **Illiquid Assets** Other Assets Gifts and Gift Tax Illustration Details Report Selections

Include Illiquid Assets

Principal Residence Asset #2 Asset #3 Asset #4 Asset #5 Asset #6 Asset #7 Asset #8 Asset #9 Asset #10

Include Principal Residence Current value: \$2,100,000

Growth: Growth: 2.30% Schedule growth Stored schedules:

Loan on principal residence: Illustrate loan: Amortized loan Interest-only loan

Outstanding balance: \$0 Years remaining: 0 Interest rate: 0.00%

Refinance principal residence: Refinance loan in year: 1

Value of home when refinanced: \$0 Old loan balance when refinanced: \$0 New loan: \$0 Interest rate: 0.00%

Sale of principal residence: Assume the sale of principal residence in year: 1

Sales price: \$0 Cost basis: \$0 Excludable gain: \$0

Review

- 5 To show the liability from a reverse mortgage, customize an available asset on the **Illiquid Assets** tab. Enter the description "Reverse Mtge Liability".
- 6 Enter the reverse mortgage interest rate in the **Growth** box.
- 7 In the **Asset Value** box, click the **Schedule...** button to enter the liability.

The screenshot shows a software interface with several sections. At the top, there are checkboxes for 'Preliminary Data', 'Desired Cash Flow', 'Expected Cash Flow', 'Retirement Plan Assets', 'Liquid Assets', and 'Illiquid Assets'. Below this is a section for 'Include Illiquid Assets' with checkboxes for 'Principal Residence', 'Asset #2', 'Asset #3', 'Asset #4', 'Asset #5', and 'Asset #6'. A dropdown menu is set to 'Reverse Mtge Liability' (labeled 5). Under 'Asset value', there are options for 'Current value' (set to \$0) and 'Schedule values' (labeled 7). A 'Schedule...' button is highlighted. The 'Growth' section has 'Growth: 0.00 %' (labeled 6) selected. There are also sections for 'Income', 'Loan data', 'Liquidation information', 'Refinance data', and 'Charitable bequest'.

On the right side of the screen, click the **Reverse Mortgage Liability Calculator** button for easy input of your data.

The screenshot shows the 'Reverse Mortgage Liability' calculator window. It features a table with columns for 'Year', 'Ages', and 'Reverse Mtge Liability Scheduled Values'. The table contains 20 rows of data. To the left of the table are input fields for 'Change level amount' (Amount: \$0), 'Level amount' (radio buttons for 'in all years' and 'from age: 60 to: 99'), and 'Interpolate values' (From age: 60 to: 99). On the right side, there are buttons for 'OK', 'Cancel', 'Help', 'Clear Data', and a highlighted 'Reverse Mortgage Liability Calculator' button. A red arrow points from the 'Schedule...' button in the previous screenshot to the table.

Year	Ages	Reverse Mtge Liability Scheduled Values
1	60/55	0
2	61/56	0
3	62/57	0
4	63/58	0
5	64/59	0
6	65/60	0
7	66/61	0
8	67/62	0
9	68/63	0
10	69/64	0
11	70/65	0
12	71/66	0
13	72/67	0
14	73/68	0
15	74/69	0
16	75/70	0
17	76/71	0
18	77/72	0
19	78/73	0
20	79/74	0

If you copied this schedule in Step 2 above, you can now paste them here. Otherwise enter the same income stream that you entered in Step 2. Here you will need to include any amount needed to pay off an existing mortgage in the year the reverse mortgage begins. When done, click the **OK** button.

Reverse Mortgage Liability Calculator

Enter the assumed income from the reverse mortgage. Be sure to include the amount needed to pay off any existing mortgage in the year the reverse mortgage begins.

The assumed income you enter here will also need to be entered on the Expected Cash Flow tab. To avoid entering this twice you can use copy and paste to enter the second schedule.

Note: When you click OK, the resulting liability will be placed in the previous schedule as negative numbers in order to represent this as a liability.

Change level amount:
 Amount: \$0
 Level amount:
 in all years
 from age: 60 to: 99
 Apply

Interpolate values:
 From age: 60 to: 99
 Apply

Year	Age	Income From Reverse Mortgage	Resulting Liability of Reverse Mortgage
1	60	289,000	289,000
2	61	0	289,000
3	62	0	289,000
4	63	0	289,000
5	64	0	289,000
6	65	0	289,000
7	66	0	289,000
8	67	50,000	339,000
9	68	100,000	439,000
10	69	0	439,000
11	70	0	439,000
12	71	0	439,000
13	72	0	439,000
14	73	0	439,000
15	74	0	439,000
16	75	0	439,000
17	76	0	439,000
18	77	0	439,000

OK
 Cancel
 Help
 Clear Data

The results will populate the schedule as negatives since this is reflecting a liability.

Reverse Mortgage Liability

Reverse Mtge Liability Scheduled Values

Year	Age	Reverse Mtge Liability Scheduled Values
1	60/55	-289,000
2	61/56	-289,000
3	62/57	-289,000
4	63/58	-289,000
5	64/59	-289,000
6	65/60	-289,000
7	66/61	-289,000
8	67/62	-339,000
9	68/63	-439,000
10	69/64	-439,000
11	70/65	-439,000
12	71/66	-439,000
13	72/67	-439,000
14	73/68	-439,000
15	74/69	-439,000
16	75/70	-439,000
17	76/71	-439,000
18	77/72	-439,000
19	78/73	-439,000
20	79/74	-439,000

Change level amount:
 Amount: \$0
 Level amount:
 in all years
 from age: 60 to: 99
 Apply

Interpolate values:
 From age: 60 to: 99
 Apply

Reverse Mortgage
 Reverse Mortgage Liability Calculator

OK
 Cancel
 Help
 Clear Data