



Illustrating a Reverse Mortgage in Wealthy and Wise®

Important Note: InsMark's Wealthy and Wise does not contain a Reverse Mortgage calculator. For that, see any of the approved Reverse Mortgage specialists with this capacity. Wealthy and Wise can illustrate those results in the Illiquid Asset category, as shown below. Joe and Annie are both age 60, which means they will have to use a non-FHA mortgage to activate a reverse mortgage before age 62 1/2. They could wait two years to obtain a traditional, home equity conversion mortgage (HECM), but they may want to take advantage of the option now.

The screenshot shows the 'Wealthy and Wise (v 13.0) - Blog #198 - 2. Reverse Mortgage' window. The 'Illiquid Assets' tab is selected and highlighted with a red box. Below it, the 'Principal Residence' asset is selected and highlighted with a red box. The 'Refinance principal residence' section is also highlighted with a red box, showing a new loan of \$600,000 at 5.00% interest for 35 years. The current value of the principal residence is \$1,200,000. The 'Loan on principal residence' section shows an outstanding balance of \$200,000 and 20 years remaining at a 4.00% interest rate. The 'Sale of principal residence' section shows a sales price of \$0 and a cost basis of \$0.

Assumptions are illustrative only.

One of the benefits of reverse mortgages is that the mortgage company's collateral is limited to the property. Therefore, to make sure that the refinancing does not outstrip the value of the principal residence in your Wealthy and Wise analysis, compare the following:

- Principal Residence Loan on the Summary of Liabilities report;
- Year-End Net Equity of Illiquid Assets on the Hypothetical Net Worth report.

If you have other Illiquid Assets scheduled, uncheck them temporarily before making this determination.

In the unlikely event that the Year-End Net Equity of Illiquid Assets column ever turns negative (your reverse mortgage balance becomes greater than your property value), you will want to:

- 1) Decrease the amount of the reverse mortgage loan or
- 2) If practical, increase the appreciation rate assumption on the primary residence so that its value is always more than the reverse mortgage balance.

Either will eliminate the negative values in your Year-End Net Equity of Illiquid Assets on the Hypothetical Net Worth report.

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