

FAQs for Financial Advisers

1. How could a reverse mortgage provide a safety net for my clients?

- a. Some planners recommend a 2 year's savings fund be maintained so as not to liquidate investments in the event of difficult market cycles or financial emergencies. The reverse mortgage line of credit can be that source of funds without incurring interest or expenses until the client actually draws down the funds.
- b. The unused Line of Credit in a RM has a growth feature that allows a larger LOC each year regardless of the current value of the property. That growth compounds annually affording tremendous security without any interest or penalties being accumulated on the unused line.

2. How will that impact my client's portfolio?

- a. With short term and cash interest rates so low, when a client keeps their safety net in a "cash" account, the opportunity cost is great when compared to income and growth investments.

3. How can a reverse mortgage provide portfolio relief and preservation?

- a. Income from a RM provides cash flow so investor can postpone selling investments in difficult markets. The line of credit feature can be used and paid as many times as necessary for the life of the loan without penalty.
- b. In low interest rate environment, RM can assist in cash flow and reduce risk in Fixed Income portfolio.

4. How could it impact retirement plan distributions?

- a. If your client is dependent upon income from a retirement plan, RM may allow you to reduce distributions as well as potential tax liability.

5. How does a RM impact Social Security?

- a. RM income is tax free and not included in determination of taxation of Social Security. This may allow you to reduce the SS that is considered taxable.
- b. If waiting to receive SS in later years, RM can assist until it starts and perhaps allow for increased benefits

6. How could it impact my clients who maintain a real estate portfolio?

- a. RM Line of credit is a safety net in the event of Rental or Cash Flow interruption.
- b. It can provide funds for procurement and rehabilitation of properties for clients that create income through rehab and resale



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