



Utilizing Housing Wealth in Retirement Income Planning Can Help Minimize Retirement Risks

[Susan A. Pomfret RICP®](#)

Did you know you can help your clients 55 or 62 and older reduce their monthly housing obligations? We all have enough concerns now, so wouldn't it be of value to help your clients lower their stress about paying their monthly mortgage payment, credit card bills or installment loans? Perhaps you have baby boomer clients who are helping their elderly parents financially? Senior housing wealth has reached over \$12 trillion* and may offer financial relief.

By tapping home equity with a Home Equity Conversion Mortgage (HECM), those 62 and older can have flexible options. They can choose to receive HECM funds through a monthly payment, line of credit, initial draw, or a combination of methods. An even better feature is that no matter how they decide to take their funds at closing, they can change their payment plan at any time, as often as they need to throughout the loan.** Flexible options are very important as seniors navigate retirement, not only because their lives change as they get older, but also because they will have a tax-free*** safety net when they need it most, even for unexpected events.

For those 55 and older there are similar choices available with Portfolio/Jumbo Reverse Mortgage Products. Though they are not available in every state, and have some restrictions on payment plan flexibility, these loans are still a good option to consider.

In 2014 the Financial Industry Regulatory Authority (FINRA) updated their Investor Alert about Reverse Mortgages, noting that recent changes to the program added additional safeguards for the borrower. They also stated "FINRA is issuing this Alert to urge homeowners thinking about reverse mortgages to make informed decisions and carefully weigh all of their options before proceeding. And, if you do decide a reverse mortgage is right for you, be sure to make prudent use of your loan."



As with any financial product, clients need to rely on an experienced professional to educate them about the risks and benefits to ensure they are making an informed decision. You can learn more at

<https://www.finra.org/sites/default/files/InvestorDocument/p517004.pdf>

There have been many studies that show how a HECM or Reverse Mortgage can help with Sequence of Returns Risks and Longevity Risk. I particularly like this article because it describes a coordinated strategy that is simple to implement

<https://toolsforretirementplanning.com/2016/08/20/sacks-and-lafaye-case-study/>

In addition, Jamie Hopkins, Esq., LL.M., MBA, CFP®, RICP® wrote a book titled *Rewirement: Rewiring the Way You Think About Retirement!* that I highly recommend, along with books and studies by Wade Pfau, Ph.D., CFA.

Finally, think of HECMs and Reverse Mortgages as part of the financial planning/retirement income planning process. They can be part of discussions with your clients about deferring social security, paying for health care and long-term care costs, making home modifications, keeping their current home, or buying a new one. They may offer a useful tool when gray divorce is the challenge, and as mentioned above, they may protect against Sequence of Returns Risks.



About Susan A. Pomfret, RICP®. Susan was one of the first to originate HECMs in Rhode Island, starting in 1989. She began her mortgage career over 30 years ago with the Rhode Island Housing and Mortgage Finance Corporation. She is a familiar and respected face in the senior community, combining her professional experience with senior volunteer work. She served as Co-Chairperson of the Board of Directors for the Senior Agenda Coalition, Board of Directors member for the RI Chapter of the Alzheimer's Association and was Co-Chairperson for Alzheimer's annual fundraising auction. Her volunteer work with the National Reverse Mortgage Lenders Association (NRMLA) includes serving as an appointed member of the Government Affairs, State and Local Issues Subcommittee. She has lobbied at the RI State House, participated in many rallies, and testified on various senior bills and issues, both in RI and on Capitol Hill. She was chosen to assist in writing the first Certified Reverse Mortgage Professional (CRMP) test, was a frequent columnist for Senior Digest Newspaper and PrimeTime Magazine, and was a monthly co-host of the Senior Digest Radio Show on WPRO 620AM. Susan has been published in many national mortgage industry publications and was chosen to cover the 2005 White House Conference on Aging (WHCOA), as well as attend the invitation-only 2015 WHCOA Forum in Boston, MA. She co-founded of the RI Chapter of the National Aging in Place Council, is an appointed member of the Aging in Community Act Subcommittee (affiliated with the Lt. Governor's Long-Term Care Coordinating Council) and is an appointed Alzheimer's Ambassador RI – U.S. Representative. Susan holds a Bachelor of Science in Paralegal Studies and Certificate in Gerontology from Roger Williams University and Retirement Income Certified Professional (RICP®) Designation from The American College of Financial Services.

***<https://www.prnewswire.com/news-releases/senior-housing-wealth-reaches-record-7-70-trillion-301154029>.**

**The servicer will charge a \$20 change fee each time they change the payment plan.

***Contact a tax professional.