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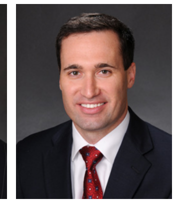

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DON'T JUDGE A BOOK BY ITS COVER: TIPS & CAUTIONS REGARDING REVERSE MORTGAGES, ANNUITIES, & LIFE INSURANCE

When you hear a financial advisor recommend a Reverse Mortgage, an Annuity, or Life Insurance, your first impulse may be to run for the hills. Your inclination is that these are bad products that cost too much and you recall reading many articles over the years about their negatives aspects. Although a few bad advisors over the years have given Reverse Mortgages, Annuities, and Life Insurance a black eye, these financial products can play a vital role in your financial portfolio if they are purchased properly. Further, the financial industry has taken enormous steps to shut down bad advisors who promote unsuitable financial products and solutions.

In this three part series, we will explore these three financial products and attempt to dispel the negative myths and provide some insight on how to determine when the time is right for taking advantage of what can be an excellent financial opportunity.

In this article we will explore the Reverse Mortgage. Historically, Reverse Mortgages were sold to older individuals who had little or no financial resources outside of their modest home. Some advisor would walk up to their door and tell them that they could have money immediately, never pay it back until their death, and life was a bed of roses. What that advisor did not fully disclose is that the Reverse Mortgage was loaded up with upfront costs and high interest rates, and that the borrower's home equity would be rapidly lost.

As a result of some very bad advice, State and Federal governments stepped up to the plate and created great regulation and scrutiny of Reverse Mortgages. They actually limited the types of Reverse Mortgages that they would support. Eventually, the HECM Reverse Mortgage was created and it soon became the acceptable norm.

Today, Reverse Mortgages can play an exceptional role in your financial plan if most of your wealth is tied up in your primary home, you have no desire to move, you have consulted with the proper advisors (elder law attorney, financial planner, and accountant), and worked with a Reverse Mortgage specialist. Your current Florida homestead protection is enormous and the Reverse Mortgage will allow you to stay in your home and not be forced to give up this valuable protection.

HECM Reverse Mortgage - What It is and How It Works:
A Reverse Mortgage is an unconventional home loan that allows you to access or unlock some of your home's equity. Unlike a traditional home equity line of credit or a conventional second mortgage, the borrower does not have to repay the loan until the borrower no longer uses the home as their principal residence or fails to meet the mortgage's obligations. While there are no monthly principal and interest payments, the borrower is still required to pay the real estate taxes, utilities, and home insurance premiums.

Many retirees use the funds from the Reverse Mortgage loan to supplement their social security and other retirement income so that they may stay at home instead of being forced to sell their home and downsize or rent. The loan is often used to cover the high costs of health care and other essential living expenses.

The Federal Housing Administration's (FHA) Reverse Mortgage program, "The Home Equity Conversion Mortgage" (HECM), provides federal insurance for Reverse Mortgages (passed by Congress in 1988) and a safety net for Reverse Mortgage borrowers. Under the HECM law, the borrower can stay in their house regardless of the escalating mortgage balance and because a Reverse Mortgage is a non-recourse loan, the borrower's estate will not not be responsible for a deficiency if the loan balance exceeds the value of the house upon their passing. The borrower's heirs will also not be responsible for any deficiency.

The FHA instituted numerous rules and regulations that resulted in seniors being treated fairly and protected them from over-zealous and often predatory lending techniques. Today, almost all Reverse Mortgages are HECM loans. In January of 2009, the FHA added the HECM for Purchase program, which made it possible for individuals to buy a home with the assistance of a HECM (Loan). In order to qualify, borrowers must show that they have the necessary additional cash on hand to pay for the balance of the cost of the home as well as the closing costs. In October of 2010, when the FHA realized that HECM loans were still very expensive compared to traditional lending alternatives and therefore, it created the HECM Saver. This is a very competitive and low cost alternative. The only downside is that it limits the maximum amount of funds you can borrow to a much lower level.

In a nutshell, the following rules apply to all HECM loans:

1. You must be 62 year of age or older.
2. You can borrow the maximum allowed under law all at once or take the money over time (as needed or desired).
3. You can stay in your home without making any loan payments.
4. Your loan balance accumulates with interest at a compounded rate.
5. You do not have to repay the loan until you die or move out of the property.
6. You are limited by the regulations as to how much you can borrow.

The big risk of the Reverse Mortgage is that the rapidly escalating loan balance can eat up the equity in your home and if you wish to move or are forced to move because of health or other circumstances, you will have very little equity, if any, left for the balance of your life. For these reasons, you should not consider a Reverse Mortgage before obtaining professional guidance. This is a technique used by more mature individuals that have reviewed all other financial alternatives before choosing this unique opportunity.

Go to www.probate-florida.com to read more about this subject.
Learn how you can have your cake and eat it too.

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