

## REVERSE MORTGAGES

### ARE THEY A GOOD OPTION?

#### HOW A REVERSE MORTGAGE WORKS

# HOW DOES IT WORK



I think we have all seen Tom Selleck (he'll always be Magnum P.I. to me) on television pitching reverse mortgages. But what exactly are they? Is it a viable option for some? Let's find out.

#### WHAT IS A REVERSE MORTGAGE?

A reverse mortgage is a loan, provided to a homeowner who is at least 62yo, that allows the individual to use their home as collateral to secure the loan.

Fees and interest make the loan balance rise over time, as opposed to a traditional mortgage where your balance decreases as you pay back the loan monthly.

The homeowner is given the loan in a lump sum, as a line of credit or in installments. The amount borrowed is mostly dictated by the equity the homeowner has.

#### WHY IT CAN BE APPEALING

A reverse mortgage allows a senior who is cash poor and

has a good amount of equity in their home (at least 50%), to remain in their home. The loan provides the senior cash to maintain the home, and/or cash to make ends meet.

Alternatively, many seniors would otherwise have to downsize and move out of their home. It is a way of tapping into their home equity without having to make payments.

Unlike a home equity loan, the applicant doesn't have to have an income or a good credit score to qualify. They also don't make any payments while they occupy the home. The loan is paid back when the homeowner moves out, sells the home, or passes away.

#### WHAT'S THE CATCH?

The fees can be hefty. They include an origination fee, upfront mortgage insurance, closing costs, ongoing mortgage insurance premiums, loan servicing fees and of

course, interest. Got all that? This is the main negative to a reverse mortgage. It is an expensive way to generate cash.

The homeowner also has to maintain the property, pay the homeowner's association fees, and stay current on taxes.

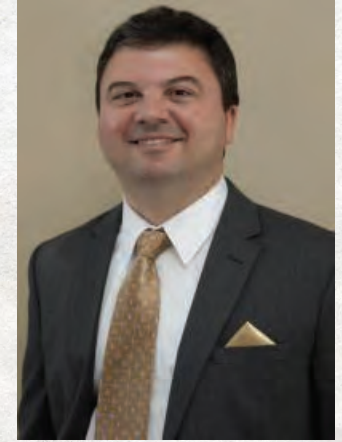
Your loan balance could grow to more than what the home is worth, meaning you are "underwater" or "upside down" when the loan is due. In this scenario, the lender can't go after you or heirs. Mortgage insurance takes care of this.

#### HOW MUCH CAN YOU BORROW?

You can't borrow 100% of the value of your home, or anywhere near that value. This is even if your home is paid-off. The actual amount you can borrow is complex and depends on a slew of factors such as your age, the interest rate of the loan and the value of your home.



"... continued on page 2"



January. A new year, a new you. Most people start off the year with some goals they want to accomplish or things they want to change about themselves or their life. About 41% of people make formal **resolutions**. The #1 resolution for people is getting fit and improving their health. Easier said than done. Sadly, only about 9% keep their resolution until their goal is met. A good strategy to make your resolutions stick is to use the **SMART** strategy.

**S** is for specific. Be specific about what you want to accomplish.

**M** is for measurable. Use numbers so you can easily track your progress.

**A** is for attainable. Do you have everything you need to meet your goals?

**R** is for realistic. Be honest with yourself that it is something you can achieve.

**T** is for timely. Set a time goal that's attainable but not too far in the future.

Respectfully,  
Alexis Hongamen, CFP®, CRPC®

## Cruising!



- If you are near a major port, start by taking a cruise from there first. Then venture out to other ports after you get your feet wet. Pardon the pun.
- You can get added benefits if you sail with the same cruise line. You build up loyalty points. Then they start throwing in things like free wi-fi and more.
- Interior rooms are cheaper but not the best experience.
- Consider sailing during off season. In the Caribbean, that would be September through April. You can realize significant savings during these months. Do keep in mind September and October are peak hurricane months.
- Unless you really enjoy cocktails, skip the drink package. You can still enjoy drinking quite a bit for the cost of the package.
- Start off with shorter 3-4 day cruises to see if it something you would enjoy. Then expand to the ideal, 7-day cruise.
- Book your shore excursions in advance. The most popular ones often sell out prior to the cruise.

I call him The Godfather of Cruising. "The old joke is I'm either planning a cruise, packing for a cruise, taking a cruise or paying for a cruise," says Scott Symons with a hearty laugh. Symons is semi-retired but still works at a golf course part-time. "I love the benefits...free golf!"  
 : [ei [X15aa] [W15WS^ fZW1S ` [ Ygb fa Z]\_ ž "I ZWZWwe\_ W have something to tell you,' I already know he has booked a cruise for us!" she adds with a laugh.



**Cruising Tips**  
 So what tips does Symons have for cruising newbies?

"...from page 1"  
**AVOID REVERSE MORTGAGE SCAMS**  
 Seniors are often seen as a group that can be exploited, so be cautious. Particularly if you receive unsolicited offers. Contractors have also been known to convince seniors to take

a reverse mortgage as a way of paying for home maintenance or renovations.  
**THE BOTTOM LINE**  
 A reverse mortgage may make sense for a senior homeowner that is absolutely determined on staying in their home. However, they should be

fully aware this would be an expensive way to do it. No matter what Magnum P.I. says.



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# Flashback 30 Years Ago This Month



## MOVIES

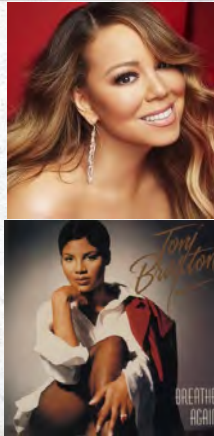
The top movies in January 1994 were:

- Mrs. Doubtfire**.....Signature Robin Williams. RIP.
- Pelican Brief**....Based on John Grisham novel.
- Grumpy Old Men**....Walter Matthau and Jack Lemmon.
- Philadelphia**....Tom Hanks spotlights HIV.
- Tombstone**....Depicts several Western outlaws and lawmen, such as Wyatt Earp

## MUSIC

Billboard Hot 100 in January 1994 featured:

- **Hero (Mariah Carey)**.....Mariah has 19 #1 singles.
- **All That She Wants (Ace of Base)**.....Swedish band also had hits "The Sign" and "Don't Turn Around".
- **All for Love (Bryan Adams/Rod Stewart/Sting)**..... inspired by The Three Musketeers' motto: "All for one, and one for all".
- **I'd Do Anything For Love (But I Won't Do That) (Meat Loaf)**....He was called Meat Loaf because of his weight.
- **Breathe Again (Toni Braxton)**...This song peaked at #3.



## NEWS

- The 1994 Northridge earthquake was a magnitude 6.7 earthquake that occurred on January 17, 1994, at 4:30 a.m. PST in the San Fernando Valley region of Los Angeles. 57 people died.
- North American Free Trade Agreement (NAFTA) goes into effect.
- Four Weddings And A Wedding Funeral premieres at Sundance
- Schindler's List wins 3 Golden Globes including Best Motion Picture - Drama
- Michael Jackson settles a civil lawsuit out of court for inappropriate behavior with a 13-year-old boy.
- Lorena Bobbitt found temporarily insane for attacking her husband with a knife.

## SPORTS

- Tonya Harding's bodyguard attacked US figure skating champ Nancy Kerrigan at the US Championships in Detroit.
- Lawrence Taylor retires from the NFL
- Left-handed pitcher Steve Carlton (Phillies) elected to MLB Hall of Fame.
- Patrick Ewing is first NY Knick to reach 15,000 points.
- Super Bowl XXVIII, Georgia Dome, Atlanta, GA: Dallas Cowboys beat Buffalo Bills, 30-13; MVP: Emmitt Smith, Dallas, RB

Questions? Call Alexis 407-729-8516



## Tip Of The Month

**"Fast. Cheap. Good. Pick 2."**

I laughed when I saw that sign at my mechanic's shop. The thinking is if you want something fast and cheap it probably won't be good. You aren't going to get all three of the things that everyone wants. He was sending a message and resetting expectations.

The same thing can be said with your investments. Let's take a look at safety, growth and liquidity.

### Growth & Safety

You can combine both of these where your money is relatively safe and you can get some some growth through, for example, a 2-YR CD. The trade-off is you are giving up some liquidity, where you can't get to your money right away as there are time restrictions on the investment.

### Growth & Liquidity

This is where investing in the stock and bond market comes in. The investments are liquid because you can sell them and get your money immediately. Over long periods of time, investing in the stock market provides the most growth. The trade-off is we know the investment can lose money, specifically over short periods of time. This is an option after you've already established safe money. If you don't have an emergency fund set up, then you probably shouldn't be in the growth conversation just yet.

### Safety & Liquidity

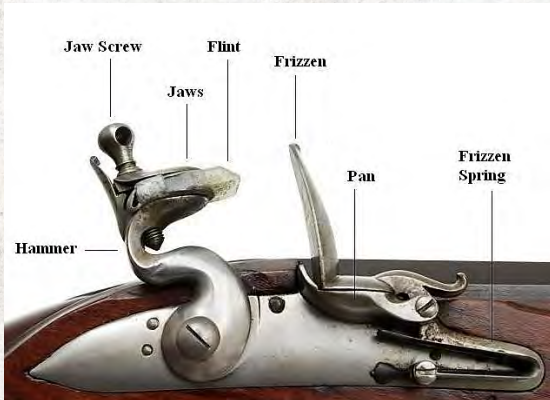
This is an option for a pure savings accounts, or maybe money market accounts. This won't be your money maker but it is a prudent place to park your money. It gives you peace of mind knowing everything is not at risk.

You want a combination of all these things in your portfolio. But not in one investment.

**Growth. Safety. Liquidity. Pick 2.**

## Idiom Of The Month

# "A Flash In The Pan"



I naively always thought a flash in the pan had something to do with a fire while cooking. Maybe a grease fire while frying food in a pan.

It actually has its origins in the 17th century with something called a flintlock musket.

### History

A flintlock musket is a firearm that uses flint (a type of quartz) to light gunpowder.

The ignition takes place in the priming pan when the flint strikes the gunpowder.

If the resulting spark did not ignite the prime propellant and propel it forward, there was a lot of noise and smoke but no real effect.

Hence, there was a "flash" in the "pan" of the firearm.

### Modern Use

Nowadays, it stands for something that is going well for a short time

but that doesn't last.

The phrase has morphed from its origin's with firearms to be used as something that isn't expected to be repeated.

A good example would be a hit song, like a one-hit wonder that takes the country by storm and then disappears. The artist, if that was their only hit, can be said to be a flash in the pan.

flash in the pan



## WHAT WOULD YOU DO? *(said in John Quinones' voice)*

1. **Would you take a guaranteed \$1M or a 50% chance at \$50M?** I've had mixed responses on this one. Hard to walk away from a cool \$1M but \$50M is generation-changing.
2. **Would you take \$250k to permanently become a vegetarian?** If not, how much would it take?
3. **Would you take a \$10M lottery winner but permanently lose your 5 closest friends?**
4. **Which do you enjoy more: earning money or spending money?** The feeling of making money and seeing it in your account....or the feeling when you buy something?
5. **Would you rather have \$5M today or \$50M in 10 years?** I guess this one is age dependent for folks.
6. **Would you rather have a two-week dream vacation or a \$10,000 shopping spree?**
7. **Would you rather earn lots of money doing a job you hate or not earn much doing a job you love?** I think this one depends on where you are in life economically. Most people would prefer to meet this question half-way.
8. **Would you donate a kidney to a 90 year old stranger for \$10M?**
9. **Would you rather have tons of money and no free time or tons of free time but very little money?**
10. **Would you rather go back in time and fix your one biggest money mistake or glimpse into the future to see where you end up financially?**

Some things to think about. Let me know what you pick!!

