

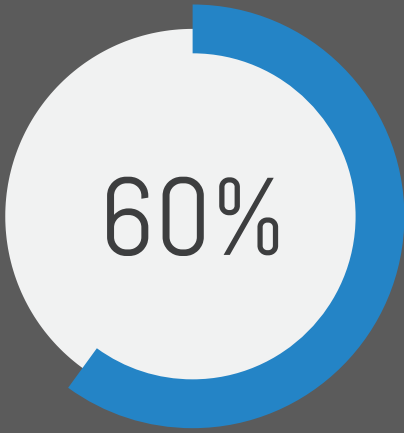


Live Better

F I N A N C I A L

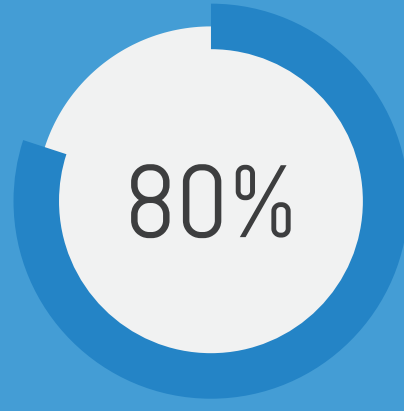
Home Equity Strategies to Pay for Care

Most Seniors Can't Afford the Care They Need



60%

60% of older adults, or 24 million households, do not have the funds to pay for in-home long-term care, despite the fact that 88% would prefer to “age-in-place,” per a report from NCOA. ⁽³⁾



80%

80% of older adults, or 32 million households, do not have the financial resources to pay for just 2 years of nursing home care or 4 years of assisted living. ⁽³⁾

And it's only going to get more difficult as care costs continue to increase



Cost of Care

In-home care and nursing home expenses can be financially devastating

Average Cost of Care:



In-Home Care:

\$5,529/mo (\$66,348/yr)



Nursing Home Cost:

\$9,794/mo (\$117,528/yr)

Average cost of dementia (private pay):
\$355,000 - \$850,000

Probability of one spouse developing a
form of dementia after age 80: **42%**

Sources: <https://www.genworth.com/aging-and-you/finances/cost-of-care>

<https://www.nih.gov/news-events/news-releases/one-seven-americans-age-71-older-has-some-type-dementia-nih-funded-study-estimates#:~:text=As%20in%20other%20studies%2C%20the,have%20some%20type%20of%20dementia.>

How Do Most Seniors Pay for Care?

Government Programs

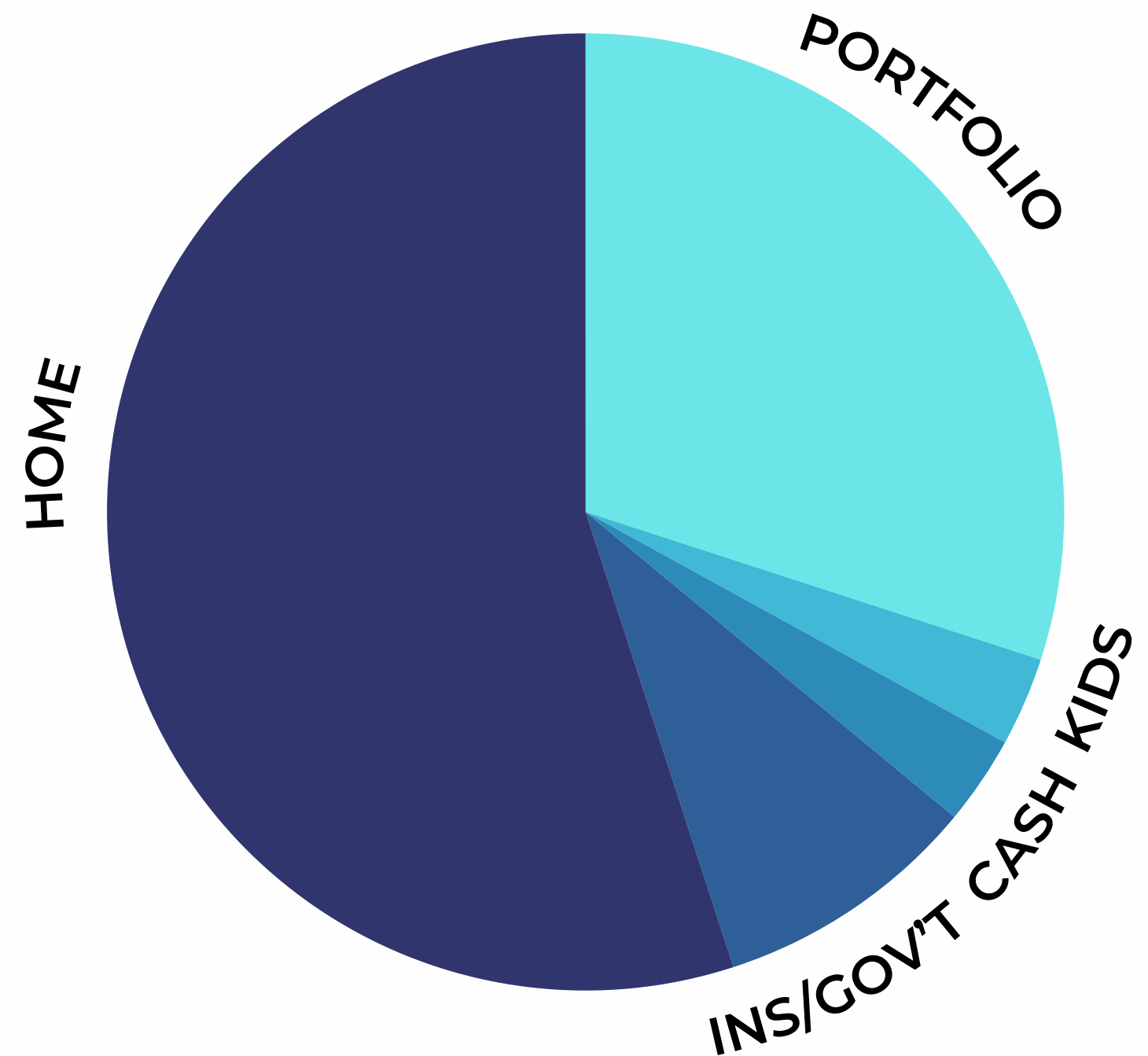
- Medi-Cal/IHSS/PACE
- VetAssist, others

Insurance

- Long-Term Care Insurance
- Life Insurance w/ LTC Rider

Self-Insurance

- Cash
- Retirement Accounts
- Home Equity





HECM

A HECM Line-of-Credit Can Help

What The Heck Is A HECM?

HECM stands for a Home Equity Conversion Mortgage, also known as the new, government-insured reverse mortgage. The HECM Line-of-Credit program allows seniors to convert a portion of their home equity into usable cash to pay for the care they need.

HECM Highlights:

- One spouse must be 62 years old and live in the home
- No mortgage payment for life
- Proceeds are tax-free
- Non-recourse for heirs
- Non-HECM Products (Jumbo and Reverse 2nds)
- Qualification is based on age and home value



HECM Facts vs. Myths

Myth: The lender takes ownership of the home.

Fact: The borrower (or trust) retains ownership of the home.

Myth: The borrower will lose all their equity and heirs won't receive any inheritance

Fact: The borrower can only access a portion of their home equity through a reverse mortgage, leaving the remaining equity to be passed on to their heirs.

Myth: Reverse mortgages are generally a last-resort strategy

Fact: Since the 2017 changes, home equity has become a primary source of funds for care

The NEW Reverse Mortgage

Major program changes in 2017

New Regulations that Protect Equity

- Lender origination was capped at \$6,000
- Annual mortgage insurance was lowered by 60%
- Interest rates were significantly lowered
- The amount seniors can borrow was reduced

Note: This is why 90% of borrowers have positive equity to pass to their heirs...and most of them have more equity than when they initially took out the reverse mortgage.

New Regulation that Protects Seniors

- Younger spouse (under 62) at the time the reverse was taken out can now remain in the home vs. be forced out



How The Program Can Help Pay For In-Home Care

Since seniors typically pay for care on a weekly or monthly basis, here are the two main program strategies to generate additional cashflow:

①

**Eliminate
Mortgage
Payment**

②

**Create a tax-free
monthly income
stream**

Case Study #1

Leverage Home With a Mortgage to Pay For Care

Bruce (82) And Lynn (79)

Situation:

- Lynn has mild - moderate cognitive impairment and needs 35 hours per week of in-home care, costing \$6K/mo
- After Social Security and annuity income, they are short \$2,500/mo
- Their home is worth \$750K and they have a retirement portfolio of \$250K
- Their mortgage payment is \$1,500/mo (\$200K mortgage)

HECM-for-Care Solution:

- Open a \$350K HECM line-of-credit
 - Eliminate \$1,500/mo mortgage payment
 - Plus, convert remaining \$150K line-of-credit into a guaranteed, lifetime income stream of \$1,000/mo (tax-free)

Projected Equity in 10 years*: \$500K

Projected Portfolio Balance in 10 years*: \$500K

** Assumes 4% annual home appreciation and 7% annual portfolio return*

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**Create \$2,500/mo
Additional Cash Flow**

**Net Worth Increases
by \$200K in 10 years**

Case Study #2

Supplementing Medi-Cal IHSS

Joel M (82) - Father-In-Law

Situation:

- Joel suffered a major stroke in 2021
- The doctor said that he would be confined to a wheelchair and couldn't walk again
- IHSS only provide a few hours per week for rehab with a revolving caretaker
- They had no additional funds to pay for private in-home care

HECM-for-Care Solution:

- Paid off existing \$200K mortgage with a \$300K HECM Line-of-Credit
- Used the additional cashflow from no mortgage payment and available line to pay for additional rehab hours
- After 12 months of intense therapy, **Joel is now walking with little assistance!**
- Bonus: They were able to replace their leaky roof and still have access to \$50K on their line for emergencies

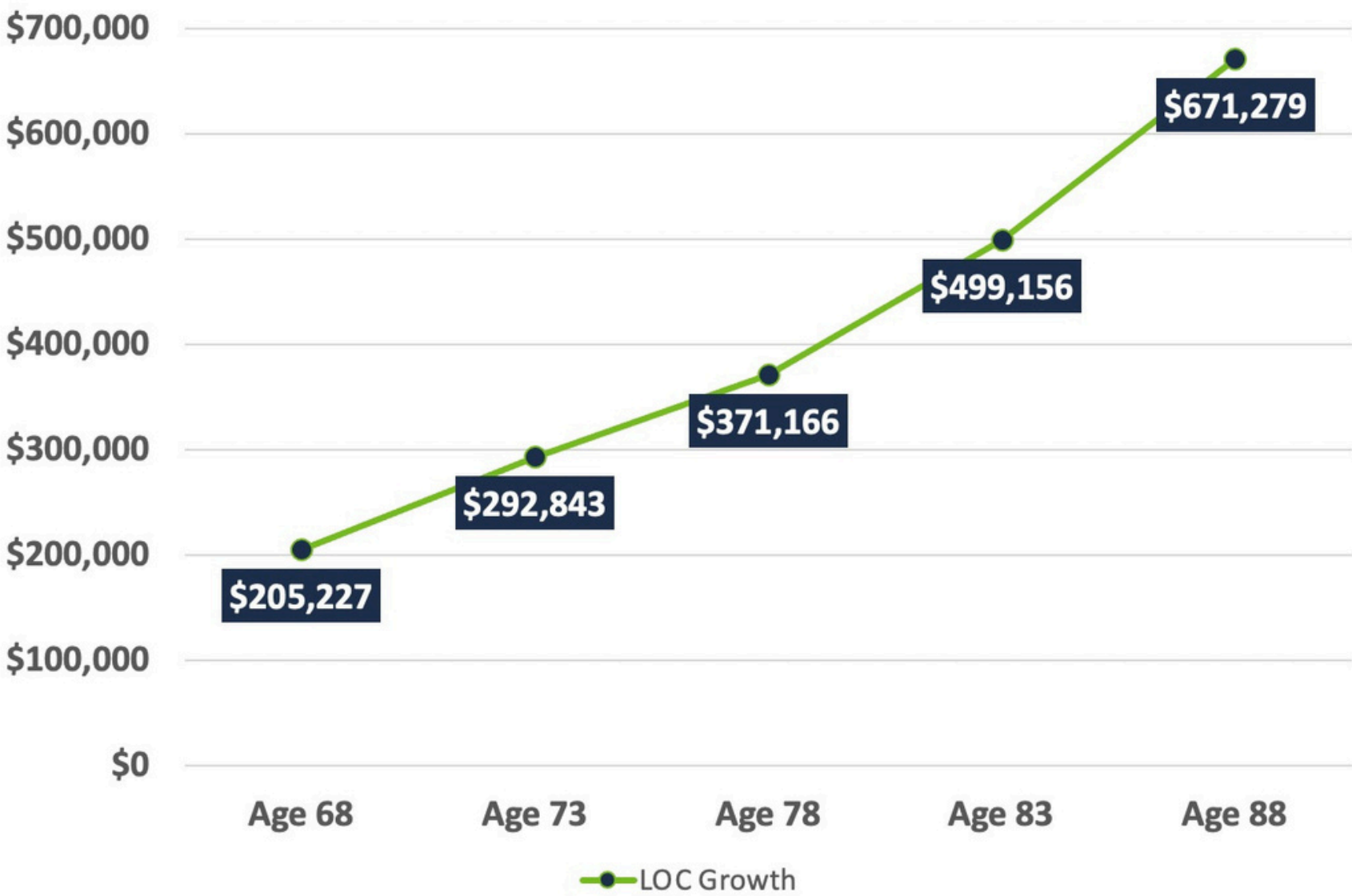


Case Study #3

Plan for a Future Medical Event

Solution:
Establish A HECM Line Of Credit

- Client is 68 years old and can qualify for a \$205,000 HECM line of credit
- By age 88, projected credit line would grow to **\$671,279**
- Funds can be drawn for in-home care, assisted living or a skilled nursing facility
- Avoiding a \$5K - \$10K per month expense will help preserve portfolio




HECM Benefits


How HECM Can Help:




Unlocking a portion of home equity to pay for care helps to preserve retirement accounts



Seniors can afford the full amount of care they need, reducing the burden on the caregiver



A HECM can be much more tax efficient than withdrawing from portfolio, increasing net worth



A HECM can reduce the financial and emotional burden on the adult children

Thank You!



www.livebetterfinancial.com

Sources

Source 1:

<https://www.census.gov/library/stories/2019/12/by-2030-all-baby-boomers-will-be-age-65-or-older.html>

Source 2:

https://www.alz.org/alzheimers-dementia/facts-figures?utm_source=google&utm_medium=paidsearch&utm_campaign=google_grants&utm_content=alzheimers&gad=1&gclid=CjwKCAjw3dCnBhBCEiwAVvLcu1PmEPJM6u4doJpL177j92eTM9FaOBIZ_NgDLUc2V-kFcywjJILlBoCiN0QAvD_BwE

Source 3:

<https://nypost.com/2023/04/27/most-senior-citizens-in-america-cant-afford-nursing-homes/>

Source 4:

Alzheimer's Association. 2023 Alzheimer's Disease Facts and Figures. *Alzheimers Dement* 2023;19(4). DOI 10.1002/alz.13016

Source 5:

<https://www.phinational.org/news/phi-releases-new-annual-report-on-the-u-s-direct-care-workforce/>

Source 6: CFPB Report to Congress on Reverse Mortgages, June 2012