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Reverse Mortgages;
'Just put it on the tab!'

What's the first thing you think of when I say the words: *Reverse Mortgage*? Let me guess; cheesy, seniors-targeted, late-night ads that seem to exude a creepy, plastic facade and run in time slots between 'Miracle Hair Growth' and '1-800-Let's-Sue-Everyone'? Am I close? Did you know that what you are viewing in these instances is the version in the United States which may be much different than what is offered in Canada? What if I also told you that for more and more people, a reverse mortgage is not only a viable option but a game-changer? And because it's the right product for some of us, maybe it's time to dissect it and take a good look at what it is, and what it isn't. Who knows? You might even consider it an option to help you get where you're going!

The truth of it is that reverse mortgages have a bad rep. The cheesy late-night ads tell us that once you reach 55 and own a home, a reverse mortgage will have you spending the rest of your days frolicking carefree in your onesie and flowered bathing cap on the lawn bowling pitch. But make no mistake, this product is not for everyone, and that's where the bad rep comes into play–it's a round hole, square peg thing.

It comes down to this: Can you afford to trade a chunk of the future equity in your home for the opportunity to use that equity now? If the thought of selling your home down the road and only collecting half of what it's worth makes your knees buckle, then perhaps this is not the option for you. On the other hand, if the career change, lifestyle, dream vacation, or whatever is worth that chunk of equity, then it may be time to take a closer look at this option.

So what is a reverse mortgage? First of all, it's a mortgage. It's not some loan shark loophole; it's a real mortgage leveraged by the equity in your home. The reverse part means payments are not required like a normal loan, and interest is deferred until you sell your home. It sounds like a free bag o' cash, but the longer you hold this mortgage, the more debt you accumulate, and the more equity is eroded. Think; sand in the hourglass. That said, it's important to remember that your home is expected to appreciate over time, the erosion of equity may not be as fast as you may think.

What you get:

- You get a fat chunk of tax-free cash to do whatever.
- The older you are, the more you can qualify for
- You will never owe more than your home is worth.
- You pay nothing until your house is sold.
- You can get a large lump sum or smaller amounts paid out monthly or a combination of both

What you need to know:

- You need to be at least 55 years old.
- If you're married, your spouse needs to be at least 55 years old as well.
- You need to own your home, and all title-holders need to be at least 55.
- The amount you get will depend on your age, the value and location of your home.
- The max for a CHIP mortgage is 55% of market value; PATH is 40% or $400,000.
- Interest rates are higher than regular mortgage rates.
- Set-up costs (appraisals, legal fees, admin fees) run between $2000-$3000.

So, a reverse mortgage might be a good option if you plan to stay in your house for years to come and you're not anticipating a hefty return on your home investment for you or your estate. If you anticipate moving (by choice or necessity) or need to maximize your property investment, then you will likely need to look at other options. Either way, this type of mortgage, as with any other, can be complicated, or you would be best served to seek advice from your Avenger-level accountant. It's a conversation worth having!