



The Mysterious Reverse Mortgage

Dave Brauchler
Land Home Financial Services, Inc



Agenda

My Family
Travels
Rotary journey
Reverse Mortgages
Questions?

My family & explorations

Our Granddaughter Abigail is 3 1/2



9/3/20XX

Lynn & I Rancho Sordo Mudo winery 2014



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Lynn Israel 2018 Golden Gate Temple Mount



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Our Aussie Cobie



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Rotary Convention 2016 Seoul Korea



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Psy taught me to do things “Gangnam Style”



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100 year old tea house, T-34 tank



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Korean math challenge



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Floating in the Dead Sea



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Sea of Galilee



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Cinque Terra, Italy



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Joined San Clemente Sunrise Rotary Club 12-13-1994



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SCSRC president 2016-2017, Best Small Club District 5320



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Christmas in January project 1999-2017

- Rancho Sordo Mudo was the only free school for deaf children in Mexico for many years.
- Founded in 1969.
- The San Clemente Sunrise Rotary Club threw a Christmas party every year for the kids from 1999-2018 when the school closed.
- It was my favorite project.

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Christmas in January RSM



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Christmas in January RSM



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Presentation

My first Reverse Mortgage customer

- I was contacted by a Rotarian friend of mine who is a bankruptcy attorney.
- He had a client who was a recent widow with little income and savings, but a lot of home equity.
- She was facing bankruptcy and foreclosure or having to sell her home.
- Using a Reverse Mortgage, she was able to keep her home, reduce monthly expenses, pay off debt, and avoid bankruptcy.
- When she passed away her kids sold her home and received the remaining equity.

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Reverse Mortgage Fact and Fiction

- You retain ownership of your home.
- The lender does not own your home or “take it from you.”
- You must keep your property taxes, home insurance, and HOA dues current, just like you normally do.
- Any cash you get is TAX FREE because it is a loan.
- You can use proceeds for any purpose.
- Loan must be paid off within 1 year of the last borrower leaving the home. (Sell or refinance)



Aging at home

- One of the federal government’s reasons for creating Reverse Mortgages was to allow people to remain in their homes as long as possible.
- Allows access to home equity without having to sell the home.
- Loan proceeds are tax free and can be used for anything, for instance, paying a caregiver to come to your home versus having to move into a care facility.



How does it work?

- You receive a proposal from your lender covering your situation.
- Projection is to age 100.
- Your current loan is paid off, no more loan payments.
- You can receive a lump sum or monthly distributions.
- You can set up a line of credit to access additional funds.
- The line of credit INCREASES each year.



Illustration

- Home value \$890,000, ages 64 and 63.
- Pay off existing \$77,000 mortgage.
- Eliminate \$730/month payment.
- Can receive \$96,623.05 lump sum now.
- Line of credit starts at \$129,940.
- Age 80 line of credit \$370,705
- Age 90 line of credit \$713,808
- If no initial distribution taken the line of credit is larger.



Financial Planning uses of a Reverse Mortgage

- Withdrawals from Traditional IRA's and Non-qualified plans have tax consequences.
- Income tax rates are expected to increase.
- A Reverse Mortgage gives you an alternative to tapping investments and having to pay income taxes.
- Paying off existing mortgages reduces expenses in retirement which reduces need for IRA and other withdrawals.



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DEI – my 4 way test questions



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Thank you

Dave Brauchler

david.brauchler@lhfs.com

Cell 714-264-0873

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