

Wealth Wednesday Tip #512: Reverse Mortgages have their pro's and con's!

On the plus side of a reverse mortgage, there are two “pros”:

- You can tap equity in your home without having to sell.
- You can keep the title to your home.

On the minus side? Here are the “cons”:

- High fees: The biggest cost is an initial mortgage insurance premium equal to 2% of the appraised value. “The origination fee might be higher than with a traditional mortgage,”
- No one living with you under the age of 62 may be a borrower on the reverse mortgage.
- You leave less money to your heirs.

Wisdom Wednesday

If you don't spend down your money, someone else will.

It really is true. Only about 60% of people have wills, so if you have access and accumulate wealth and don't have a will then your state, depending where you live, will choose where your money will go. Different states have different percentages that go to blood relatives and that may not be the person you wanted to have your money. The state formulas also have no allocation for charities so if you are charitably-inclined and don't have a will you could have several million left and none go to a charitable purpose. If you get into philanthropy and make those arrangements you could get a tax benefit through charitable contributions, whether it's a qualified charitable distribution or setting up donor-advised funds. Be sure to plan for your legacy with an Estate Plan.