

Housing Wealth and Long-Term Care

By Tony Kendzior, CLU, ChFC

2022 is now here and among my resolutions is to talk about my latest “project”, becoming a licensed mortgage broker here in Florida. My efforts will focus exclusively on reverse mortgages and how they can dramatically help your financial well-being in retirement.

A prominent writer in this arena is Don Graves. Here is more or less what appeared in my email inbox two days ago. He speaks about how his mother is in a memory care facility and how that fact impacts his thoughts on the subject.

He references an extended care thought leader by the name of Kerry Peabody and his recent comments about the challenges posed by those who purchased long term care insurance policies years ago that are undergoing rate increases. Some people are experiencing dramatic rate increases.

The Four Dangers of a Long-Term Care Insurance Policy:

1. **Policy Fatigue** - A typical long term care policy (standard or hybrid) is usually purchased while the client is in their 50's or 60's. However, it may not be needed or go into use until their 80's.
2. **Policy Increases** - Depending on when the policy was bought, it may not have been priced correctly. Newer policies have corrected this error, but it's not uncommon for policy owners to receive sticker shock when they get a notice of increased premium.
3. **Policy Regrets** - Did I really need this? Should I keep it? I've been paying premiums for a long time. I could have used the money spent to do...
4. **Policy Lapses** - These sentiments, if not addressed, will inevitably lead to the client forfeiting the policy. This does not have to happen.

How Housing Wealth Can Help

87% of retirees own a home. That's nearly \$8 trillion dollars in senior home equity that exists today. Why wouldn't a financial advisor include housing wealth in a financial planning conversation?

What follows just below is a chart showing a client, now age 65, living in a \$500,000 home and converting it into a \$224,000 GROWING line of credit. Notice how easy it becomes to overcome the Four Dangers listed above.

	A	B	C
Age	LOC Amount	Tenure Payment	5 Year Term
65	\$224,000	\$1,056	\$4,160
70	\$280,402	\$1,415	\$5,208
75	\$351,006	\$1,944	\$6,519
80	\$439,388	\$2,769	\$8,161
85	\$550,024	\$4,192	\$10,216
90	\$720,149	\$7,109	\$12,788
95	\$861,884	\$16,008	

\$500,000 home, 65yr old | 3.925 CMT based expected rate

Having an accessible growing reserve fund allows someone to not only keep their long-term care policy in place, but also weather any other financial storms that may arise over a long retirement.

If any of this resonates with you, as it applies to yourself, or perhaps your parents, reach out to me and I'll be happy to answer your questions and prepare a hypothetical illustration for you.

Don Graves ends his email with these words: Mr. and Mrs. Jones. If we could use your home to create a long-term care plan so that you wouldn't need to go into a facility or deplete your saving prematurely, would you want to see how it works?