

Advisor reverse mortgage marketing material tools

Purpose: The information can be used across channels such as social media, print editorial/adverts and website content.

The current economic climate and what it means for retirees

- Retirement savings are taking a back seat for many with the focus shifting to making ends meet on a day-to-day basis and assisting family post COVID.
- The low interest rate environment is challenging for retirees with many having to reconsider retirement options.
- Uncertainty around the housing market may deter retirees from selling their home in the short-to-medium term with lockdown showing how valuable our homes were in more than just a financial sense.
- NZ residential real estate value is \$1.2 trillion outweighing NZ share market or KiwiSaver funds. With 77% of 65+ owning their own home a reverse mortgage could provide access to much needed funds for Kiwis in retirement.

Disclaimer: This information is accurate as of the July 2020

What is a reverse mortgage?

A reverse mortgage is like a normal home loan that has been designed for the needs of people over 60. It allows you to release equity from your home to live a more comfortable retirement. Importantly, with a reverse mortgage you continue to own and live in your home and community for as long as you choose.

A reverse mortgage can be used for a number of purposes including:

- Paying off debt
- Make home improvements
- Supporting family
- Covering day to day expenses or unexpected costs
- Visiting family and friends
- Buying a car
- Paying for medical expenses
- Going on a holiday
- Home purchase/moving closer to family

A reverse mortgage can offer customers:

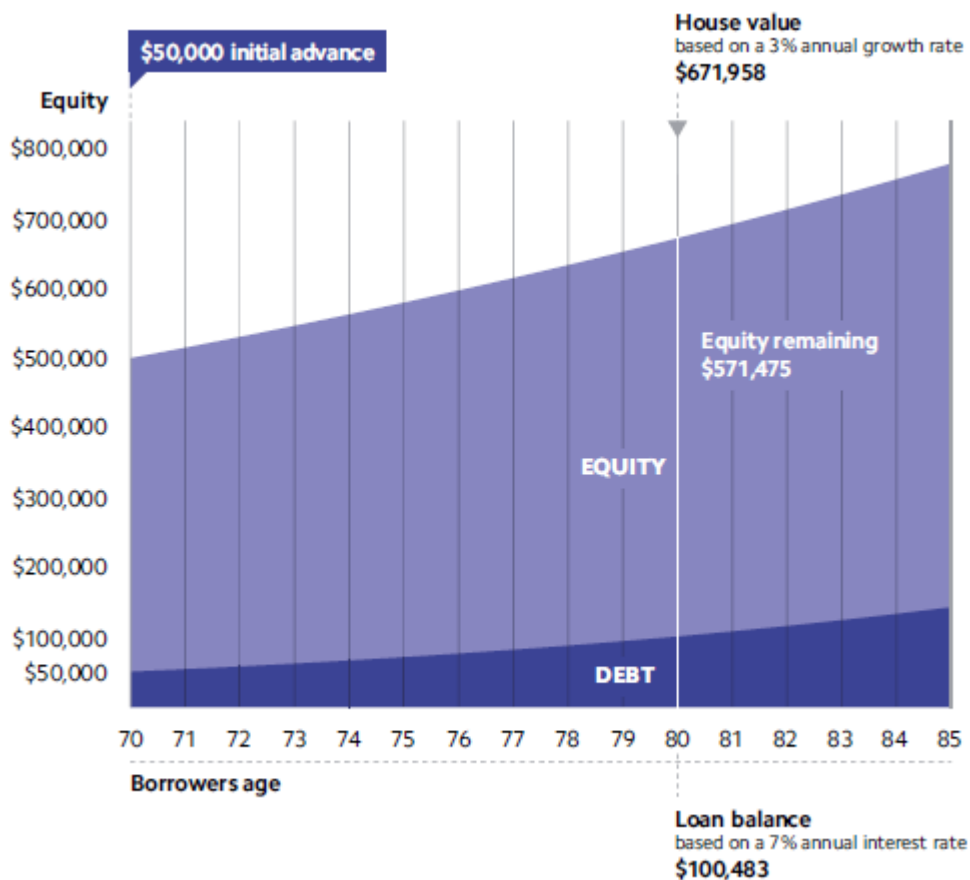
- **Flexible finances.** A reverse mortgage can be used for almost anything, whether you would like to make home improvements, assist with medical costs or just to take the stress out of everyday expenses.
- **Maintaining home ownership.** You remain the owner of your property, continuing to enjoy the benefits of your community, social network, and family memories.
- **No regular payments required.** Although you're welcome to make regular payments, this is not a requirement. Interest is calculated daily on the balance outstanding and added to your loan monthly.

- **Designed to provide peace of mind.** We offer a lifetime occupancy guarantee, so you can continue to live in your home for as long as you want.

Example of how a reverse mortgage works:

We are often asked how a reverse mortgage adds up over time, and how much equity will remain in the property when the loan is due to be repaid. This depends on a number of factors including interest rate, house price growth and term of the loan. We have therefore prepared the following example for a fictitious couple, for illustrative purposes.

Let's use the example of Jo and John. Both are 70 years old and they own a home we value at \$500,000. The maximum amount to them available is \$125,000. Initially, they choose to draw down \$50,000 for home improvements, and set \$75,000 aside in a cash reserve facility in case they need it in the future. The cash reserve is never drawn, meaning interest is never charged on that amount. The graph shows what happens to Jo and John's equity over time. As you can see, while the loan debt increases, so too does the value of their property, and the amount of equity increases as a result. In addition, they have had the benefit of the funds being released via a reverse mortgage to live a more comfortable retirement. In dollar terms, Jo and John will have more 'net equity' after 10 years than what they did before the loan, about \$571,000 of the home value. After 15 years, when they are both 85 years old, there would still be \$636,000 remaining.



To find out more about a reverse mortgage, give us a call on [insert your contact details here]. We're here to help.