

NEWS

For Immediate Release

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Reverse Mortgages Can Reduce Risk and Increase Wealth for Retirees

New study demonstrates how tapping non-correlated assets can reduce the risk of portfolio exhaustion during retirement years

San Diego, CA (December 21, 2021) - [Finance of America Reverse \(FAR\)](#), a retirement solutions company, announced that a new study published in the December 2021 issue of the *Journal of Financial Planning* reveals that reverse mortgages can provide an essential risk mitigation tool for millions of retirees—dramatically reducing exposure to longevity and market risks while also growing their investment portfolios.

The pioneering study, [To Reduce the Risk of Retirement Portfolio Exhaustion: Include Home Equity as a Non-Correlated Asset in the Portfolio](#), found that retirement strategies that use a reverse mortgage as an alternative source of cash flow to a traditional investment portfolio hold the greatest benefit for mass affluent Americans—generally defined as those with \$100,000 to \$1.5 million in investible assets.

“When it comes to reducing investment risks, this study is perhaps one of the most significant findings since the prevailing Modern Portfolio Theory (MPT) was introduced in 1952,” said Phil Walker, Vice President of Strategic Partnerships and Retirement Strategies at FAR and a co-author of the study with Drs. Barry and Stephen Sacks.* “So many retirees worry that their investments won’t be able to support their lifestyles or last the length of their retirement journeys, and those who draw from their portfolios when markets are depressed are at a permanent disadvantage that they’ll never recoup. Including a reverse mortgage through a Coordinated Withdrawal Strategy solves for this by lowering retirees’ risk of running out of money and substantially increasing their gains over time.”

Short-term market volatility poses a risk for retirees, with the losses of a down-market year impacting portfolio growth and, consequently, retirees’ available income and quality of life.

However, those who use a reverse mortgage as a buffer asset in down-years stand to reduce their exposure to market volatility by nearly 10 times and could significantly increase their net worth over a 30-year retirement.

With the recent growth in property values, homeowners aged 62 and older have amassed more than \$10 trillion in housing wealth, according to the National Reverse Mortgage Lenders Association. While some mass affluent retirees may opt to live off real estate investments, royalty income, dividends, or other passive income streams, for a vast majority the easiest source will be tapping into home equity via a reverse mortgage. Additionally, because the proceeds of a reverse mortgage are not taxable, it is likely the most cost-effective alternative income source for most retirees.

INSIGHTS FOR PROFESSIONAL FINANCIAL ADVISORS

Marie Swift, founder and CEO of Impact Communications, spoke with Walker, about the paper and how financial advisors can help their clients reduce portfolio exhaustion in retirement by tapping their home equity as a non-correlated asset.

“Until I started talking to Phil, I thought that reverse mortgages were, essentially, an option of last resort for people who hadn’t saved enough, but turns out that today’s reverse mortgages are much different than in the past, and advisors are helping clients of means by tapping home equity instead of their investment portfolio when needed and preferred, instead of tapping the portfolio in a down market),” Swift said.

The Swift Chat transcript and podcast/video is here:

<https://www.impactcommunications.org/best-practices-blog/swift-chat-with-phil-walker-reducing-portfolio-risk-in-retirement>

FAR has also developed a number of CE courses for financial professionals. They have also developed a calculator so that financial planners can present various scenarios, with and without the home equity being tapped, within the context of a comprehensive financial plan. This has implications for fiduciary advisors and those who cast themselves as providing comprehensive advice.

Financial advisors can review the courses and learn about the calculator here:

<https://www.HomeEquityU.com>

IMPLICATIONS FOR WEALTH MANAGEMENT & REVERSE LENDING

The study yields critical insights for financial planners and the wealth advising industry in light of the massive portfolio gains made possible by including home equity in a retirement plan. It also points to a massive demographic shift for the reverse mortgage industry as a whole and strengthens its positioning as a broader wealth management solution for Americans entering retirement with a higher net worth.

While wealth managers have abided by the MPT principles of asset allocation and portfolio diversification for over half a century, reverse mortgage products have by-and-large been overlooked due to outdated perceptions. Yet, the results of this study suggest that advisors should

consider including home equity as an asset in retiree portfolios given their duty to help clients manage and reduce risk.

“These discoveries will have massive implications for the retirement planning community and the advisors of the nearly 20 million mass affluent Americans in the coming years,” according to Walker. “The results are clear that most mass affluent retirees should have a retirement plan that includes a reverse mortgage strategy from day one, and financial advisors should consider this strategy as a part of their fiduciary responsibility to minimize risk for retirees.”

FAR President Kristen Sieffert added: “This momentous research supports what many in the industry have long believed and evangelized—home equity can and should be considered as part of a balanced, well-rounded retirement plan. It also builds upon our efforts to produce more research and educational materials that explain the benefits of using home equity to supplement a retirement plan. The study will hopefully help educate Americans and their advisors about the merits of reverse mortgages as they chart a financial roadmap that helps them thrive in their golden years in ways they had not thought possible.”

**Finance of America Reverse (FAR) maintains a [strategic partnership](#) with the Financial Planning Association and provided funding for this study.*

ABOUT FINANCE OF AMERICA REVERSE

As a retirement solutions company and part of the Finance of America Companies (NYSE: FOA) family of companies, Finance of America Reverse is committed to empowering people with the tools they need to achieve financial independence and get to work on retirement. Through its team of Licensed Loan Officers and network of professional and wholesale partners, Finance of America Reverse offers products and services designed to help older Americans include home equity in their retirement plans. The company is licensed nationally and is a proud member of the National Reverse Mortgage Lenders Association (NRMLA). For more information, please visit www.FAR.com.

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