

Case study: Using a reverse mortgage as a gift



Did you know?

A reverse mortgage could allow you to access some of your home's equity to gift a living inheritance.

Scenario

Sandra and Dan, a married couple who both recently turned 65, live in a 3-bedroom home near the Danforth in Toronto, Ontario that they own. They have lived in their home for over thirty years where they raised their two kids. They purchased their home in the '90s and are currently mortgage-free. Their home is now valued at close to \$1,500,000.

Both of their children would like to move out but are struggling to afford the down payments given the rising home prices and high interest rates. Sandra and Dan would like to assist their adult children with the down payments and help set them up for a financially secure future.

After paying off their mortgage and funding their home renovations, the two of them have a collective savings of \$250,000 and are both collecting their CPP and OAS government pensions. They currently do not have enough to assist with two down payments and continue to live in the comfort they are accustomed to.

Sandra and Dan are considering:

1. Selling their home and downsizing.
2. Using a reverse mortgage and gifting the money for both children down payments.
3. Using a portion of their savings to partially fund one or both kid's down payments.

Solution

- Borrow up to \$540,000 of their \$1.5 million home using a reverse mortgage without making any monthly payments.
- Gift each of their children a partial down payment amount of \$150,000 leaving the remaining amount to add to their savings.
- Have a discussion with their children to plan to pay the reverse mortgage with the anticipated sale of the home after Sandra and Dan's passing.

With a reverse mortgage, Sandra and Dan will be able to gift their children the money needed for their downpayments and have plenty of savings left to enjoy their retirement. They feel good about being able to set their children up for financial success while they are still around to watch the benefits of their gift and that there is a plan in place to pay the loan.

Get in touch to learn more!

If you'd like to learn more about how a reverse mortgage may similarly suit your needs, I'd be happy to help answer any questions you may have.

Name:



[Our solutions & rates](#)

Phone Number:



[FAQ](#)

Email:



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For more information, visit <https://www.equitablebank.ca/residential/reverse-mortgage>