

## CUSHING & DOLAN, P.C.

ATTORNEYS AT LAW  
24 SCHOOL STREET  
SUITE 300  
BOSTON, MA 02108-5113  
TEL. (617) 523-1555  
FAX (617) 523-5653

## Considering a Reverse Mortgage? Don't forget to consider a Life Estate.

- ◆ You can continue to live in your home and not be forced out even though you have transferred title into your life estate.
- ◆ The value of your home will decrease each year as you get older and avoid the new limitations on the amount of home equity you can have before being eligible for Medicaid assistance.
- ◆ A life estate can be mortgaged to secure a reverse mortgage and allow you to unlock the equity in your home.
- ◆ When you die, your children do not need to probate the estate.
- ◆ After you die, there will be no capital gain tax since the children will obtain a step-up in basis equal to fair market value.
- ◆ Your home can be sold during your life only with your consent.
- ◆ Your share of the sale proceeds during life will be eligible for the \$250,000 (\$500,000 in the case of a married couple) capital gain tax exclusion.
- ◆ If you enter a nursing home and the property is sold, most of the sale proceeds will be completely protected from the cost of long term care.

### **Example: *The Benefit of a Life Estate with a Reverse Mortgage***

Surviving Parent, age 75, obtains a \$100,000 reverse mortgage to repay the existing mortgage. No further mortgage payments are due so that the individual's social security can be enjoyed and, in addition, the social security income is supplemented by withdrawals from the reverse mortgage.

At age 86, the individual enters a nursing home and 12 months later the home is sold at a time when the property is worth \$850,000. The mortgage balance is \$200,000. At the time of sale, the Surviving Parent is entitled to approximately \$207,000 (after broker's commissions) and, out of this amount, after the payment of the mortgage balance of \$200,000, there is \$7,000 remaining. This can be used to prepay a burial. The children receive a check in the amount of \$604,000.

If the individual did not consider estate planning and elder law, the entire proceeds would be paid over to the parent and there would be \$604,000 that would need to be spent on nursing home care.

To protect you, I would suggest you contact a qualified elder law attorney from Cushing & Dolan, P.C. Contact Leo Cushing at (617) 523-1555 or by email at [lcushing@cushingdolan.com](mailto:lcushing@cushingdolan.com). Please visit Cushing & Dolan's web-site at [www.cushingdolan.com](http://www.cushingdolan.com).



**This Helpful Information provided by Towne & Country Mortgage- 800-750-4419**  
[www.ReverseAnswers.com](http://www.ReverseAnswers.com)