

2026 Guide to Your Home Equity

Smarter Retirement. More Options. Less Worry.

PROFESSIONAL ADVISORY EDITION • CONSUMER GUIDE

*What if your biggest asset has been
sitting quietly in your walls all along?*

Millions of homeowners are sitting on \$200,000+ in equity —
yet that wealth never appears in a single retirement projection.
This guide changes that.

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YOUR BIGGEST ASSET

What If Half Your Retirement Wealth Has Been Invisible?

Here's something most retirement planning conversations never mention: for millions of American homeowners, the single largest asset on their balance sheet isn't a 401(k) or an IRA. It's the equity sitting in their home.

Federal Reserve data shows homeowners age 65 and older typically hold between \$200,000 and \$250,000 in home equity — often matching or exceeding their entire liquid retirement portfolio. Yet in most retirement projections, that number is nowhere to be found.

\$250K	35+	\$0
Avg. home equity held by retirees 65+	Years most retirees spent building it	Amount modeled in most retirement plans

Brady and Dan Mullen, authors of *Reverse Mortgages: The Financial Ugly Duckling*, put it plainly: for years, reverse mortgages have been dismissed as a last resort for the financially desperate — but that conclusion is based on a fundamental misunderstanding of the strategy, and even some basic financial principles.

The modern HECM (Home Equity Conversion Mortgage) is not your grandparent's reverse mortgage. It has been reshaped by decades of federal oversight, consumer protection reforms, and academic research — and today it is increasingly recognized by retirement income scholars as a legitimate planning tool.

The Bottom Line

Your home equity is real wealth. This guide — informed by leading retirement income researchers and HECM educators — explains how to evaluate whether and how to access it strategically. No sales pressure. No obligation. Just clarity.

CLEAR THE CONFUSION

Before We Go Any Further: The 4 Things That Never Happen

The biggest barrier to having a real conversation about reverse mortgages isn't money — it's misinformation. Shelley Giordano, founder of the Funding Longevity Task Force and author of *What's the Deal with Reverse Mortgages?*, identified four persistent myths she calls the "4 Nevers." Let's clear them up right now.

NEVER #1

You never give up title to your home.

Your name stays on the deed. The lender does not own your home — not at closing, not while you live there, and not when you pass away. Dan Hultquist, author of *Understanding Reverse*, makes this the very first thing he clarifies: "The bank doesn't get the home. That's not how a reverse mortgage works."

NEVER #2

You never owe more than your home is worth.

The HECM is a non-recourse loan. If your loan balance ever grows beyond your home's value, neither you nor your heirs will ever be personally responsible for the difference. FHA insurance covers any shortfall. Your family cannot lose money they don't have.

NEVER #3

Your heirs never walk away empty-handed.

When the loan becomes due, any equity remaining after repayment belongs entirely to your estate. If there is more equity than debt, your heirs keep it. And if the balance exceeds the home's value, they simply walk away — no personal liability whatsoever.

NEVER #4

You never have to make a required monthly mortgage payment.

As long as you live in the home as your primary residence, maintain it and keep property taxes and insurance current, no monthly principal and interest payment is required. That monthly cash flow stays in your pocket.

Source concepts: Giordano, S. *What's the Deal with Reverse Mortgages?* / Hultquist, D. *Understanding Reverse* / Mullen B. & D. *Reverse Mortgages: The Financial Ugly Duckling*

KNOW THE RISKS

The 5 Forces That Can Quietly Drain Your Retirement

Even a well-funded retirement can be derailed. Here are the five forces most likely to threaten your financial security — and how home equity can address three of them.

1. Living Longer Than Your Money **Home equity can help here**

The average 65-year-old today has a meaningful chance of living into their late 80s or beyond. A 25- or 30-year retirement is no longer unusual — but most savings strategies weren't built for that timeline. Home equity is one of the few assets that can grow over time even as you draw from it.

2. Bad Timing in the Market (Sequence Risk) **Home equity can help here**

Here's a retirement risk most people don't discover until it's too late: if the market drops sharply in the first few years after you retire, you may be forced to sell investments at depressed prices just to cover living expenses. That loss is permanent — your portfolio may never fully recover. Having a non-portfolio income source during downturns can change this equation entirely.

3. Not Enough Cash When You Need It **Home equity can help here**

Medical emergencies, home repairs, a child in crisis — life doesn't wait for convenient timing. Without accessible liquid reserves, you may face forced, costly decisions under pressure. A standing line of credit, established before you need it, is one of the most powerful financial safety nets available.

4. Inflation Silently Eroding Your Purchasing Power

At just 3% annual inflation, your cost of living doubles roughly every 24 years. A fixed income stream that feels comfortable today may feel very different at 85. This is why building flexibility into your income plan from day one matters.

5. Healthcare Costs You Didn't See Coming

Long-term care, prescription drugs, and unexpected medical costs are among the largest and least predictable expenses in retirement. Most families are significantly underinsured for these realities, and few have a dedicated contingency fund to address them.

When used strategically and early — not as a last resort — home equity can provide meaningful protection against longevity risk, sequence-of-returns risk, and liquidity risk simultaneously.

HOW IT WORKS

A Plain-English Guide to How the HECM Actually Functions

A Home Equity Conversion Mortgage (HECM) is a federally insured loan — the only reverse mortgage backed by the FHA — that allows homeowners age 62 and older to convert a portion of their home equity into usable funds, while continuing to own and live in their home.

Dan Hultquist, one of the nation's foremost HECM educators, frames the definition this way: the key phrase is "while continuing to own and live in your home." That phrase alone demolishes the most common misconception about how this loan works.

You choose how to receive your money:

Lump Sum	Access a large portion upfront — often used to pay off an existing mortgage.
Monthly Payments	Set up a steady, predictable stream of income to supplement other sources.
Line of Credit	The most strategically powerful option. Draw only when you need it — and watch the available credit grow over time.
Combination	Mix and match any of the above to fit your specific situation.

What you must do to keep the loan in good standing:

- Live in the home as your primary residence
- Keep property taxes and homeowner's insurance current
- Maintain the home in reasonable condition

What About the Costs?

HECM costs include an upfront FHA mortgage insurance premium, closing costs (most of which can be financed), and an ongoing annual insurance premium. These costs provide the guarantees that protect you and your heirs. For the 2026 lending year, the FHA HECM limit is \$1,249,125 — meaning homes up to that value are fully covered under the program.

THE SECRET WEAPON

The Credit Line That Grows While You Wait

Of all the features of the HECM, this one surprises people the most – and it may be the single most important concept in this entire guide.

When you establish a HECM line of credit and leave it untouched, the available balance grows over time at a rate tied to current interest rates. The longer you wait, the larger your accessible credit becomes.

And here's what makes this truly unique: this growth is entirely independent of what happens to your home's value. Even if property values decline, your available credit line continues to grow. It cannot be frozen or cancelled by the lender – unlike a traditional home equity line of credit (HELOC), which banks can and do reduce or eliminate during market downturns.

\$300K	\$425K+	0%
Credit line established at age 65	Potential available credit at age 75	Correlation to home value changes

Why establish it before you need it?

Shelley Giordano's research with the Funding Longevity Task Force makes a compelling case: deploying the home asset strategically and early in retirement converts an illiquid, indivisible asset into a shock absorber for the future. The guidance from leading retirement income scholars is consistent: never wait and pray by deferring a reverse mortgage as a last resort.

Dan Hultquist agrees: good things may come to those who wait, but with reverse mortgages, even better things come to those who act early. The principal limit – the amount you can access – increases with age. Establishing the line now locks in access and begins the growth clock immediately.

The HELOC Comparison

A traditional Home Equity Line of Credit can be frozen or reduced by your bank at exactly the moment you might need it most — during a recession or market downturn. The HECM line of credit cannot be frozen, reduced, or cancelled as long as you meet your loan obligations. That's not a minor difference. That's the entire point.

THE STRATEGY

How Home Equity and Your Portfolio Work Better Together

What if the smartest thing you could do for your investment portfolio had nothing to do with picking better stocks?

Research by retirement income scholars — including work referenced by Giordano's Funding Longevity Task Force — has demonstrated that coordinating home equity withdrawals with portfolio withdrawals can substantially improve the odds of your money lasting through a 30-year retirement.

The mechanics are straightforward: when equity markets decline, instead of selling investments at depressed prices to cover living expenses, you draw from your home equity line. Your portfolio keeps its full value and has time to recover. When markets stabilize, you return to portfolio withdrawals.

The research findings are notable:

Residual wealth after 30 years is twice as likely to be larger when home equity is used proactively rather than as a last resort.

Cash flow survival probability increases substantially when home equity is introduced as an alternative income source during market stress periods.

Portfolios given time to recover during downturns dramatically outperform portfolios that were drawn down during market declines.

The tax efficiency of HECM proceeds — loan advances are not taxable income — can create significant flexibility in how and when you draw from IRAs, creating potential Roth conversion opportunities and Medicare premium optimization.

The Tax Angle — Often Overlooked

HECM proceeds are loan advances, not income. They are generally not subject to federal income tax, don't count toward Medicare income thresholds, and don't affect Social Security taxation. As Giordano has noted: a reverse mortgage dollar in a 33% tax bracket has the spending power of \$1.50 compared to an equivalent IRA withdrawal — because you never pay taxes on it. This creates real, measurable value in a coordinated distribution plan.

Note: Tax strategy must always be coordinated with a qualified CPA or tax advisor. This document does not constitute tax advice. Medicaid planning requires coordination with an elder law attorney.

STRATEGIC APPLICATIONS

Six Ways Families Are Using Home Equity in Retirement

The Mullens' research identified a range of use cases that go far beyond the "needs-based borrower" stereotype. Today's HECM is being used by financially sophisticated retirees for strategic — not desperate — reasons.

Eliminate Your Mortgage Payment — Immediately

If you still carry a mortgage, using a HECM to retire it can free up hundreds of dollars per month, right now. That cash flow improvement is immediate, permanent, and tax-free.

Build a Market Downturn Shield

Establish a standby line of credit during stable market conditions. When a correction hits, draw from your equity instead of your portfolio. Give your investments time to recover while your bills stay paid.

Delay Social Security — and Lock in a Bigger Benefit

Every year you delay Social Security past 62 increases your monthly benefit by approximately 6–8%. Use your home equity as a bridge income source and wait until 70 to maximize a benefit you'll collect for the rest of your life.

Fund Long-Term Care Without Panic

Healthcare contingencies are the most underplanned risk in retirement. Establishing a HECM line of credit now — when you qualify — creates a dedicated resource for future medical or care needs. No underwriting surprises. No application during a health crisis.

Pay Off Consumer Debt at Closing

The Mullens highlight HECM Debt Consolidation as a powerful, underutilized application: using the loan to retire car loans, credit cards, and other high-interest debt in a single transaction — dramatically improving monthly cash flow.

Fund Home Modifications to Age in Place

A bathroom renovation, a stair lift, widened doorways — the updates that make your home livable for the next 20 years. Using home equity to fund these improvements preserves liquid savings while protecting your most important asset: your ability to stay in your home.

MOVING OR DOWNSIZING?

Buy Your Next Home Without a Monthly Mortgage Payment

You've raised your family in this house. Now it's time for the next chapter — maybe something smaller, closer to the grandkids, or simply better suited for where you are in life. But what if you didn't have to drain your savings account to get there?

The HECM for Purchase (H4P) program allows eligible borrowers to purchase a new primary residence using a reverse mortgage — combining the home purchase and the loan into a single, streamlined transaction. No traditional monthly mortgage payment required on the new home.

Here's how it typically works:

You sell your current home and receive the equity proceeds.

You apply a portion — typically 40–60% — toward the new home as the required investment. The exact amount depends on your age and current interest rates.

The HECM covers the remainder with no monthly principal and interest payment required.

You move in and preserve the rest of your proceeds for investments, healthcare, travel, or whatever matters most.

Capital Preservation Is the Objective

Most people who downsize pay all cash for the new home — and immediately convert hundreds of thousands of dollars from liquid savings into illiquid home equity. The HECM for Purchase reverses that equation. You keep your liquidity. You keep your investment portfolio intact. And you still get the home you want.

"The objective is capital retention — not leverage expansion."

SEE IT IN ACTION

A Real-World Scenario (Illustrative)

Numbers can be abstract. Let's make this concrete.

Name	Margaret, age 72
Home Value	\$650,000 (no existing mortgage)
Investment Portfolio	\$1,100,000 (diversified)
Total Net Worth	\$1,750,000
Strategy Used	Standby HECM line of credit

What Margaret did — and why it mattered:

Year 1 — Stable Markets

Margaret established a \$300,000 HECM line of credit during favorable market conditions. She didn't draw a single dollar. The line simply began growing.

Year 2 — Market Correction Hits

Equity markets dropped 18%. Her \$1.1M portfolio was now worth roughly \$902,000. Rather than sell depressed assets to cover \$45,000 in annual living expenses, she drew from her home equity line instead.

Year 3 — Portfolio Recovery

Markets recovered. Margaret's portfolio, untouched during the downturn, rebounded to prior levels. The families who sold during the decline were still digging out. Margaret wasn't.

The Long-Term Effect

By avoiding forced liquidation at the worst moment, Margaret preserved her portfolio's compounding trajectory. Research suggests this kind of coordination can meaningfully extend portfolio longevity over a 25–30 year retirement.

Important Disclosure

This example is illustrative only. Individual results will vary based on loan terms, market conditions, home value, and personal financial circumstances. This is not a guarantee of any specific outcome.

HONEST PERSPECTIVE

When a Reverse Mortgage Fits — And When It Probably Does Not

The Mullens are clear on this point: reverse mortgages aren't for everyone. The goal isn't to convince you to get one — it's to help you evaluate honestly whether it belongs in your plan.

Potentially a Strong Fit

Approach With Caution

You plan to stay in your home for 5+ more years

You want to eliminate a current monthly mortgage payment

You're concerned about market sequence risk in early retirement

You want a healthcare or emergency contingency fund

You're considering delaying Social Security to maximize your benefit

You want to leave a paid-off home but still access its equity while living

You have significant equity and want to avoid over-reliance on any single asset

You're planning to move within the next 1–2 years

Your savings, investments, and liquidity are already strong and diversified

Maximizing the inheritance you leave is your top priority above all else

You're uncertain about your ability to maintain the home or pay taxes/insurance

Prudent planning includes recognizing when no change is advisable. Every situation is unique. The most important step is a personalized conversation.

YOUR CHECKLIST

Questions Worth Asking Before Your Next Conversation

Dan Hultquist encourages potential borrowers to be informed and ask the right questions. Start here:

What percentage of my total net worth is currently tied up in my home?

If the market dropped 25% in my first year of retirement, what would my plan be?

How much accessible cash do I have for a true emergency — not investments, cash?

Have I built a realistic plan for long-term care or major healthcare costs?

Am I withdrawing from retirement accounts in the most tax-efficient sequence?

Have I maximized Social Security, or did I claim early?

Have I had an honest conversation with my family about my estate intentions?

Do I plan to stay in my current home, or am I considering a move?

"Optionality, when structured responsibly, creates stability."

You've spent a lifetime building what you have. The goal of this guide is simple: make sure you know all of your options before you decide which ones to use.

I work with families and their financial, tax, and estate advisors to evaluate whether home equity integration strengthens a broader retirement plan. There's no pressure, no obligation — just a clear-eyed conversation.

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This document is for educational purposes only. Concepts in this guide draw on publicly available themes from Reverse Mortgages: The Financial Ugly Duckling (Mullen & Mullen), What's the Deal with Reverse Mortgages? (Giordano), and Understanding Reverse (Hultquist). This guide does not constitute financial, tax, legal, or investment advice. HECM products are subject to FHA guidelines, borrower qualifications, and lender approval. Loan proceeds, terms, and availability may vary. Consult qualified professionals before making any financial decisions. Not a commitment to lend.

Connect With Robert Yi



A business card for NEXA Lending featuring a portrait of Robert Yi, a man in a blue suit and tie. The card includes the company logo, contact information, and a QR code. The background of the card shows a modern building at night.

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