

Case study: Using a reverse mortgage to consolidate debt



Scenario

Jim, 68, and Mary, 67, a married couple who reside in Mississauga, ON, are worth approximately \$1.7 million. They love to travel, hike, and spend time with their grandchildren, who live close by. They retired a few years ago, relying on their fixed retirement income to cover their monthly costs and debts. Despite the value of their home, they're hesitant to move or sell, as their family lives nearby.

Jim and Mary have a mortgage on their home for \$150,000. Over the years, they've accumulated various debts, including a credit card balance of \$10,000 at 19.99% interest, as well as a secured line of credit balance of \$50,000, with an interest rate of 7.2% that they used to make some small renovations to their home.

They each receive approximately \$900 in CPP and \$600 in OAS income monthly. Their existing debts, coupled with rising living

costs, have placed a significant strain on their financial well-being.

Jim and Mary would like to use a line of credit from the bank to pay off their debts, but they aren't sure they'll qualify, given their low monthly income and credit scores. They're also hesitant to tap into their retirement savings, as they're only in their late-60s. After thorough research and consultation with a financial advisor, they learned a reverse mortgage could be an option to consolidate their debts.

Solution

With a reverse mortgage, they could access up to \$722,000, which they can receive as monthly advances or all at once. Unlike other types of loans, they won't have to qualify based on strict income or other credit requirements that can be difficult for retirees to meet. The reverse mortgage would eliminate their higher monthly interest payments on their line of credit and credit card—and provide improved monthly cash flow.

A reverse mortgage also allows Jim and Mary to borrow against the equity in their home without having to make monthly mortgage payments. With this option, they can reduce all their monthly high interest payments, without resorting to depleting their investments and savings, all while staying in the home they love. Plus, they'll have money left over to not only supplement their monthly income, but to even go on their dream vacation.

For Jim and Mary, using a reverse mortgage for debt consolidation proved to be an effective strategy in addressing their financial challenges in retirement. By using their home equity wisely, they achieved financial stability and peace of mind, while preserving their quality of life.

Ready to get started?

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—with no obligations.

Name:

Phone Number:

Email:



[Our solutions & rates](#)



[FAQ](#)



[Get your reverse mortgage estimate](#)

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

All borrowers must meet Equitable Bank's lending criteria to be eligible for an Equitable Bank reverse mortgage.