



Reverse Mortgages } the SKI generation myth

A common perception about Reverse Mortgages is that retirees are living it up, draining all the equity out of their homes without a second thought about either their future needs or whittling away their kids' inheritance. A new term was coined as a result, the SKI generation, Spending the Kids Inheritance.

As with most good stories, that turns out to be completely untrue. A typical Reverse Mortgage customer is 74 years old and is looking to borrow only small amounts of money to make life a bit less stressful. The average amount borrowed is around \$70,000, which is usually only about half of the money available to them. So they are not frittering away money without a thought for the future.

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What they are spending the money on is also not as glamorous as the SKI myth. Recent research has shown that making minor home repairs is the main reason (33%) for taking out a Reverse Mortgage. This has a double benefit for the customers as they make their house more pleasant to live in and also increases its value. Even just a coat of paint makes all the difference, as one lady commented, "I am not embarrassed by my home anymore."

The second most common usage is to top up the pension (19%), with just a little bit extra each month transforming their life. One such SKI-er said, "I couldn't survive on the

pension and keep my house. The reverse mortgage loan has allowed me to stay in the home I love and has taken away everyday worries like whether or not I can afford to put petrol in the car."

The product is also a lot more flexible now, with customers able to combine lump sums, lines of credit and monthly income options. This is a great help in minimising the Centrelink impact of the loan, which if structured incorrectly could reduce the benefits that the customer was receiving.

There is still a bit of SKI-ing going on with 9% of customers using the money to pay for a holiday. However, the most common destination is to go back and see families in the country the customer was born in, sometimes for the first time in 40 years.

There is also a specific product available to assist family members moving into aged care called an accommodation bond loan. This allows funds to be borrowed on a short term basis and relieve the immediate financial strain.

The main message though in the research was the products provided stress relief, taking away the worries of how to survive day-to-day.

And to reassure those family members who may be concerned that their parents are frittering away their inheritance; over 10% of reverse mortgages are repaid each year.