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# THE MONTHLY ADVISOR

INFORMATION ON WHAT'S HAPPENING AT THE CROSSROADS OF  
ASSET AND LIABILITY MANAGEMENT

Jess and Mike were recently retired and living a great life just north of Los Angeles. Although they hadn't saved as much as they wanted to for retirement, their house was mortgage free and they had no other debts, but their **monthly cash flow was pretty tight**. All in all, a pretty good place to be.

There was one new problem that popped up, keeping them up at night.

Last year their son and his wife had their first grandchild. They are currently living in South San Diego County where both their son and his wife have great jobs. The distance to see their grandson was pretty tough, factor in the traffic it was just plain difficult. Now retired they had the time but were contemplating moving to San Diego so they could be with their son and his growing family.

Jess and Mike finally decided to meet with their financial advisor to discuss what was possible with their budget and their portfolio. Could they even move and make it financially?

The advisor, who has been such a great guide for the couple over the years, is someone I have worked with closely over the past 2.5 years and she was very familiar with many of the liability management principles that I teach and believe so strongly in, but this one raised some questions. If they sold their home and moved to San Diego, would this be an opportunity to address the cash flow needs and portfolio concerns? How would they handle the real estate purchase? Would it be wise to pay cash?

That is when she called me to discuss the case. Over our hour long call, we discussed many options which included: them paying cash for the new house and adding what was left to the assets under management, getting a traditional mortgage, and buying the home with a reverse mortgage.

This **first option**, paying cash for the home, was good but still did not add enough to their investments and generate enough cash to help with the cash flow concern in a meaningful way.

The **second option** was going to be tough to get them to qualify and also created a new monthly payment which made their monthly cash flow concerns just get bigger. Although their asset base would grow with some of the proceeds from the sale of their home in L.A. it would still not be enough to help solve that cash flow issue due to the new monthly payment.

The **last option**, buying with a reverse mortgage, seemed to check all the boxes. They could grow their assets under management and increase their cash flow while using the reverse mortgage to eliminate a monthly mortgage payment.

At this point, we did a zoom call to address all of Jess and Mike's concerns and determined the reverse would work well for them. **BUT, one last issue** (and it was a big one!) – getting their offer accepted at a time of crazy competition in the real estate marketplace.

**The Successful Solution** – What we had to do was adjust the plan to get this home purchased and moved down to San Diego. Client sold their home in L.A., used the proceeds to purchase the new home in cash and then we did a “refi” into a reverse mortgage so we could recapture those sale proceeds, eliminate any mortgage payment and finally add to the asset base the advisor was managing.

All in all, it went well and Jess and Mike are now close to their grandchild and their son and daughter in law. Definitely a great transaction to help them make their dreams come true.

Let me know if you have any questions about this or have a client that might be in a similar situation. I am here to help!

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