Introduction of Long-Term Care Insurance System using Reverse Mortgages

Our study explores the potential of using home equity to pay for long-term care. Our current long-term care system is impaired and seniors are struggling to make ends meet for their retirement living. Since the majority of older generations are homeowners and have accumulated substantial amounts of home equity, reverse mortgages enable seniors to tap their home equity and complement other modest retirement resources in order to fund long-term care costs.

The use of reverse mortgages to fund long-term care costs can significantly impact our nation’s ability to better balance public and private funding for long-term care.

The purpose of this paper is to outline the rationale for introducing long term care insurance system using reverse mortgages. Our policy suggestions include options for tax benefits, regulatory changes, and innovative insurance products that both policy makers and insurers could consider to help seniors make reasonable retirement planning.

First, we suggest that the government expands tax benefits to the users of reverse mortgages in order to fund long-term care costs.

Secondly, we propose the private-public partnership to complement long-term care resources wherein the government provides subsidies of low interest rates to impaired and older homeowners.

Thirdly, we suggest Long-Term Care-Reverse Mortgage combination products similar to Lifetime mortgages popular in the U.K.