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Should you get a reverse mortgage or sell your home? Here's what experts say now.

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Retirees often struggle to operate on a fixed income — but today's economy, with its rising prices and increasing costs of living, makes things even harder. Fortunately for homeowners, there are options to alleviate the pressure.

The first is to sell the home, cashing in on the equity the homeowner has built over years or even decades, and then downsizing to a smaller, less costly property. The other? That'd be a reverse mortgage, which turns your equity into a lump-sum payment, a credit line, a monthly payment, or some combination of the three.

Are you considering using your home equity to help you stretch dollars in retirement? We asked experts for their advice when deciding between a reverse mortgage and selling your property.

Should you get a reverse mortgage or sell your home now?

Reverse mortgages let you borrow funds without taking on any additional payment, which can be freeing if your household's tight on cash in today's high-cost environment. With these loans, you won't repay the cash until you sell the house, move away permanently (to a nursing home, for example), or die.

"It can be a great option for someone who has a lot of equity and is on a strict or fixed income," says Sam Royer, chief production officer at Salute Home Loans, a division of Capital FCU. "The money they get each month can help with living expenses."

The typical Social Security recipient gets just over \$2,000 per month — about \$24,000 per year, according to the Social Security Administration. A reverse mortgage, especially when taken in monthly payments, can offer a way to supplement this minimal income. It can help cover medical expenses, increasing costs of living, or the ever-rising costs of owning a home.

"Many seniors are selling homes they love because of how expensive property taxes and insurance have become," says Jennifer Beeston, executive vice president of national sales at Guaranteed Rate. "However, a reverse mortgage is a great way to keep your home and have the money to pay for increased living costs."

Reverse mortgage funds can also be issued in a lump sum or as a credit line, which can help you fund updates to your home as you age in place (rails, ramps, etc.). If you're a 55-and-up homeowner, you can also work a reverse mortgage into your retirement plan using one of the many 55+ reverse mortgages now on the market.

"Our portfolio these days is not what you'd expect — retired CPAs, estate attorneys, physicians, etc.," says Richard Stewart, a reverse mortgage specialist at CrossCountry Mortgage. "A good

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portion of our reverse business is now being referred to us by financial planners. It's now considered, in many instances, to be an integral part of any retirement plan."

Reverse mortgage risks and drawbacks

Reverse mortgages aren't an option for everyone, however. First, you'll need a lot of equity to make it happen, and while many homeowners have seen their home values rise over the past few years, as Stewart puts it, "Not everyone will have enough equity to take out a reverse mortgage."

Reverse mortgages also come with upfront fees and interest in the long run, and perhaps most notably, they reduce the inheritance you can leave behind for your loved ones. This can be a big concern in a rising-price environment, when your heirs may be facing higher costs for your burial, funeral, and other estate settlement costs.

"You're eating away at the equity in your home, and that has to be a conscious decision," Royer says. "I really hope families are sitting down together and having honest conversations before jumping into a reverse mortgage. If my mom ever decided to get one, I'd absolutely want to be part of that discussion and make sure we all understood what it meant."

You'll also need to ensure that you can handle maintaining your home for the long term. Reverse mortgage lenders require that you stay up to date on taxes, insurance, and maintenance, which are rising in cost over recent years. If you don't, they could foreclose on your home.

The case for selling your home

Selling can be a good option if you're looking to move locales, need a property with different amenities or features, or just want something smaller or lower maintenance.

"Selling is best if you want to leave the area or your home no longer suits your needs," Beeston says. "For example, if the house is too big and you do not want maintenance of the home or backyard or if you have always dreamed of living somewhere else, then selling makes sense, too."

If your home value has gone up quite a bit and you want to "cash out and simplify life," selling and renting your new place can be a good move, too, Royer says — but make sure you know your market.

"A lot of older homeowners have built up a ton of equity," Royer says. "Even though prices may be coming down a bit, many people are still in a great position to cash out. If you can sell your house for \$400,000 and your rent is going to be \$2,000 a month, that could last you a very long time. You probably won't run out of money during your lifetime."

Home sale risks and drawbacks

Whether selling is smart depends a lot on the state of your local housing market — and the market you're moving into. If home sales are slow in your area, and you wouldn't get a great return on your home right now, it might not be a good choice.

"When you have enough equity to use for your down payment and you are moving to a less expensive market, it's a great time to sell," says Mark Worthington, branch manager and home loan specialist at Churchill Mortgage. "If you are moving laterally in the same market, buying and selling takes away your equity due to the costs."

There are also tax consequences to selling a home (you'll owe capital gains taxes if you make a certain amount off the sale), and there's inflation to think about, too. Inflation has risen steadily over the last few months, hitting 2.7% in June, according to government data. If that trend keeps up, it could make selling less attractive.

"If prices remain stable, with inflation, you would receive less usable dollars the longer you wait," Worthington says. "Inflation makes your money worth less."

Consider using both

Generally, a reverse mortgage is going to be best if you need to eliminate your monthly housing payment, want to stay in place, or need a steady source of supplemental income to help with today's rising costs. Selling, on the other hand, is better if you're in a strong housing market, want to move locales, can handle the tax implications, and are good with a lump sum of cash.

Keep in mind that if you're thinking of selling and then buying a new, smaller home, you may still be able to sell and take a reverse mortgage simultaneously, using what's called a "reverse mortgage for purchase" loan.

"A reverse mortgage can be used to buy a home, too," Stewart says. "Seniors can combine a down payment and a reverse mortgage to purchase a new 'lifestyle home' with, of course, no out-of-pocket monthly payments." This can be great "for the group who want to sell and relocate — to be closer to the grandkids, move to one of those wonderful 55-plus communities, to have a better climate, etc.," Stewart says.

