**Asset-Rich and Cash-Poor: Which Older Adults Value Reverse Mortgages?**

**Supplementary Material**

This appendix provides the exact question wording of the reverse mortgage module fielded in the Singapore Life Panel® in 2018. A two-part format is employed following Hanewald et al. (2020). In the first part, we provide a qualitative description of a hypothetical reverse mortgage named ‘product ABC’. In the second part, we show a numerical example illustrating product ABC works. The property value and parameters used in the numerical example are reflective of the economic landscape in Singapore. We used bold font to emphasize key product features.

**Part 1: Basic description of a hypothetical reverse mortgage product**

We are now going to describe a new financial product to you. Please read the description carefully.

Product ABC allows retired homeowners to use their home as collateral for receiving cash payments while **allowing them to still own and live in the property**. Product ABC is offered by a large local Singapore bank. Product ABC has the following characteristics:

*At the beginning of the contract:*

• You can **choose how much** and **how** you will be paid. You can choose between a lump sum, lifetime fixed regular payments, or flexible payments, depending on your needs.

• The maximum value of these payments depends on the value of your property at the beginning of the contract, your age, the age of your spouse, and other factors.

• The value of the property is assessed by an **independent, authorized** appraiser.

*While you and your spouse are alive:*

• You will receive the payments you have chosen in cash or as bank transfers.

• You **do not have to repay the payments** while you (and your spouse) are alive.

• Instead the payments become a **debt** which **accumulates interest**. The interest rate is **fixed** at the beginning of the contract and will **not change** over the period of the contract. The interest rate is 1-2 percentage points higher than standard mortgage rates.

• You and your spouse have a **guaranteed right to live in your property** as long as both of you are alive.

• As long as you live in the home, you and your spouse **may rent out** a portion of the property and keep the rental income.

• If for any reason the property is lost in a natural disaster, the bank will settle the contract with an insurance company and compensate you in a fair way.

*If both you and your spouse move out permanently, or have passed away:*

• The product provider will sell your property at the **highest possible market price**.

• The sale proceeds will be used to repay the debt.

• If the sale proceeds are above the value of the debt, your heirs will **receive any amount remaining** after the debt has been repaid.

• If the sale proceeds are **insufficient** to cover the value of the debt, your heirs **will not be liable** to pay any additional money. The product provider is responsible for the difference and bears the risk.

*The following options are also part of product ABC:*

• You and your spouse can **terminate** the contract early by **prepaying the debt plus interest**.

• Your heirs can **repay the debt plus interest and keep the property** after you and your spouse have passed away or moved out.

*Please assume that you would owe* ***no taxes*** *on any of the above payments.*

**Part 2: Numerical example of product ABC**

The following example illustrates how product ABC works:

Mr. and Mrs. Tan are 67 and 65 years old in 2018. They live in their own property in Singapore which is worth S$400,000. They decide to use product ABC to increase their retirement income.

*At the beginning of the contract:*

• The Tans choose to receive a lifetime stream of fixed regular payments of $1,200 per month.

• The Tans choose to include an option for their daughter to repay the debt if she wishes to keep the property after they move out or have passed away.

*While one or both partners are alive and living in the property:*

• They will receive regular payments from product ABC in cash or as bank transfers.

• The payments received become a debt that accumulates interest at a variable interest rate, which is currently 5% per annum.

• The Tans do not need to repay the debt plus interest while either of them is alive and lives in the property.

• The couple has a claim on future growth in the value of the property, if there is any.

Mr. Tan passes away at age 77, but Mrs. Tan lives until age 82. When Mrs. Tan passes away in 2035, the outstanding debt plus interest now totals S$385,000. Then, three scenarios are possible in 2035:

• Scenario A: The product provider sells the apartment at a price of S$600,000. The money from the property sale is used to repay the debt plus interest. Mr. and Mrs. Tan’s daughter inherits the remaining S$215,000.

• Scenario B: The product provider sells the apartment at a price of only S$250,000, which goes entirely to the product provider as this is below the $385,000 plus interest. The daughter inherits nothing, but neither is she liable for the difference of S$135,000. The difference is a loss to the product provider.

• Scenario C: The daughter decides to repay the debt of S$385,000 herself and keep the apartment.