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Nest Egg

The scenario is a familiar one: A married couple bought a $300,000 home in which to raise a family. Now the kids are gone, the parents are in their 60s and they have $150,000 equity in that home.

That equity can be integrated into an income strategy, says mortgage specialist Steven J. Sless, who works with Primary Residential Mortgage.

His office works solely on reverse mortgages, which used to be seen as "desperation loans or loans of last resort," Sless says. But as boomers age and employment-based pensions decline, homeowners are more readily considering them.

Tom Selleck even pitches them in TV ads.

Nationwide, 75 percent of seniors' net worth is in home equity. Getting that equity can be helpful in retirement. But how does a reverse mortgage work?

First, homeowners must be 62, the home must be a primary residence, and the owners must have 50 percent equity in the product. With a reverse mortgage, the original loan is paid off and a new loan is issued for up to half of the original mortgage. Homeowners then can receive a lump or monthly payments.

Borrowers can defer payments until they move from the home or through their estate after death. Many clients take out loans for a fixed period of time, until they turn 70, for example and then collect social security.

Federal law enacted in 2012 prevents borrowers from getting underwater with reverse mortgages. Homeowners don't have a mortgage payment, for example, but still have to pay taxes and homeowners' association fees and budget accordingly. That was one area in which they got in trouble, says JP Krahel, associate professor of financial accounting at Loyola University Maryland's Sellinger School of Business.

For seniors who need more cashflow, there are a range of options, all of which are available to other ages groups as well, he says, including second mortgages, home refinancing, the option of downsizing into a smaller home and also the gig economy.

"Maybe your Uber driver is a retired person," Krahel says.

And, yes, homeowners could take out a reverse mortgage. He recommends that seniors do their homework, make sure they pursue FHA-insured loans and work with a reputable company.

"Understand what you're getting and what you're giving up," he says. "Reverse mortgages are kind of like a firearm. If you know what you're doing, they are very useful."

—JESSICA GREGG