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Retirement and Reverse Mortgage Loan Trends

Sixty-seven-year-old Trudy Goldstrom studies her monthly social security check and sighs. "It never fully occurred to me that retirement would find us struggling," she admits. For the last forty years, she and her husband John have invested more of their paychecks into their mortgage than their savings account, relying heavily on social security to carry them through their later years. Now, as they begin their retirement, they have found themselves slightly alarmed to realize that their overall monthly social security income is less than adequate.



Since around 2011, the nation's largest generation of Americans, the baby boomers, have begun entering into retirement. Born between the years 1946 to 1964, the baby boomers are expected to continue retiring steadily until about 2031. Many of these retirees will tend to depend heavily on social security for their retirement income.

For America's largest generation to date, there are also a few other retirement trends that have been taking place recently. According to World Development Indicators 2012, baby boomers have seen an increase in life expectancy from an average of 67 years to an average of 77 years. Developments have also included an increase in the need for long-term care and healthcare while boomers are saving less than they should be able to cover their retirement. With almost 80 million baby boomers expected to retire over the next 18 years, it has become clear that planning an alternate source of retirement income will become very important.

Fortunately, Home Equity Conversion Mortgages, also known as reverse mortgages, have become a viable option, only increasing in reliability and safety since inception. This is due largely to strict regulations put in place by the Federal Housing Administration's U.S. Department of Housing and Urban Development.

Reverse mortgages, which allow boomers to access the equity in their home without having to pay a monthly mortgage payment, are a more strategic approach than relying solely upon social security, which averages to a monthly income of only about \$1230. Borrowers are responsible for paying property taxes, homeowner's insurance, and home maintenance. Retirement tendencies also reveal that two-thirds of boomers employed in the private sector do not have a retirement plan aside from social security while having less than \$25,000 saved and invested. In addition, boomers who did have savings and investments for retirement saw a hit to their worth with the recent recession.

Because this generation tends to possess high homeownership rates while keeping about two-thirds of their wealth tied up in their home, reverse mortgages are proving very helpful to today's retiring baby boomers. With the expected trend of about 10,000 boomers retiring every day, the demand for reverse mortgages will only continue to grow.

Resources:

i-ORP (Optimal Retirement Planner) – Estimate (and optimize) the funds available for annual spending in your retirement years. Comprehensive and free. This tool will account for a reverse mortgage.

Johnson Ph.D., David W. and Zamira S. Simkins, Ph.D. "Retirement Trends, Current Monetary Policy, and the Reverse Mortgage Market." OneFPA.org. Financial Planning Association. ND. Web. 13 Jul 2014. http://www.onefpa.org/journal/Pages/MAR14-Retirement-Trends,-Current-Monetary-Policy,-and-the-Reverse-Mortgage-Market.aspx

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