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## **FINANCIAL QUESTIONS FOR THE RETIRING HOMEOWNER**

*Five questions to contemplate before the transition.*

Provided by Frank DeMaio\*

Do you see yourself retiring in the near future? In planning for that transition, you might want to consider the state of your mortgage, the state of your property taxes, and the state of your living quarters.

**Could you pay off your mortgage in the next few years?** If your home is paid off, great. If you are close to paying it off, think about putting whatever extra cash you can spare toward your home loan. (Not money from your retirement accounts, of course - funds from other sources.) If your mortgage balance is just too big to pay down, you can always attempt to refinance. If you can, structure your loan so that you can pay it off in what will presumably be the first part of your retirement.

**Are you paying too much in property taxes?** Did you know that many cities and counties make an effort to lower property tax rates for homeowners older than 65? Call or visit the office of the assessor or recorder where you live. Ask about this, and see if you qualify. Even if you don't, by doing some online research (or gently asking a neighbor or two) you might discern that your property tax rate is too high. You can officially appeal it on your own (there are commonly forms available at city halls and county offices) or with the assistance of a real estate professional.<sup>1</sup>

**What needs to be done to your residence?** Wouldn't it be nice to have a home with a yard requiring less upkeep as you age? How about a home you can safely get around in? Landscaping changes and the installation of certain senior safety features can be well worth the expense. It is wise to arrange home improvements while you are still salaried.

**Should you sell your home?** Some retirees are moving out of big homes into smaller quarters - yes, even in today's market. Is that really worth doing?

While the answer to that question will vary per homeowner, some real estate analysts and financial industry professionals believe downsizing in this market may be worth it for many retirees. While home equity has diminished since 2006, they contend that it could take several more years for home values to return to anywhere near those

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levels - economic conditions in this decade may not create the kind of “sweet spot” the market benefited from in the 2000s.<sup>2</sup>

If you wouldn't buy your home today because of financial, neighborhood or family factors, that is a signal that you might want to consider downsizing.

**Should you take in a renter?** Let's say you love your home and you are thinking about deriving more income from it. You could optionally rent a room, a furnished basement or a guest house to ... your kids, or a graduate student, or a senior living alone. Income aside, do you have a mom or dad who requires help with everyday living? It may be emotionally and even financially appropriate for that parent to move in with you.

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#### **Citations.**

1 - [www.bankrate.com/financing/retirement/get-your-home-ready-for-retirement/](http://www.bankrate.com/financing/retirement/get-your-home-ready-for-retirement/) [7/12/12]

2 - [www.cnbc.com/id/46311497/Christakos\\_Getting\\_Ready\\_to\\_Retire\\_Start\\_by\\_Rightsizing\\_Your\\_Home](http://www.cnbc.com/id/46311497/Christakos_Getting_Ready_to_Retire_Start_by_Rightsizing_Your_Home) [2/8/12]