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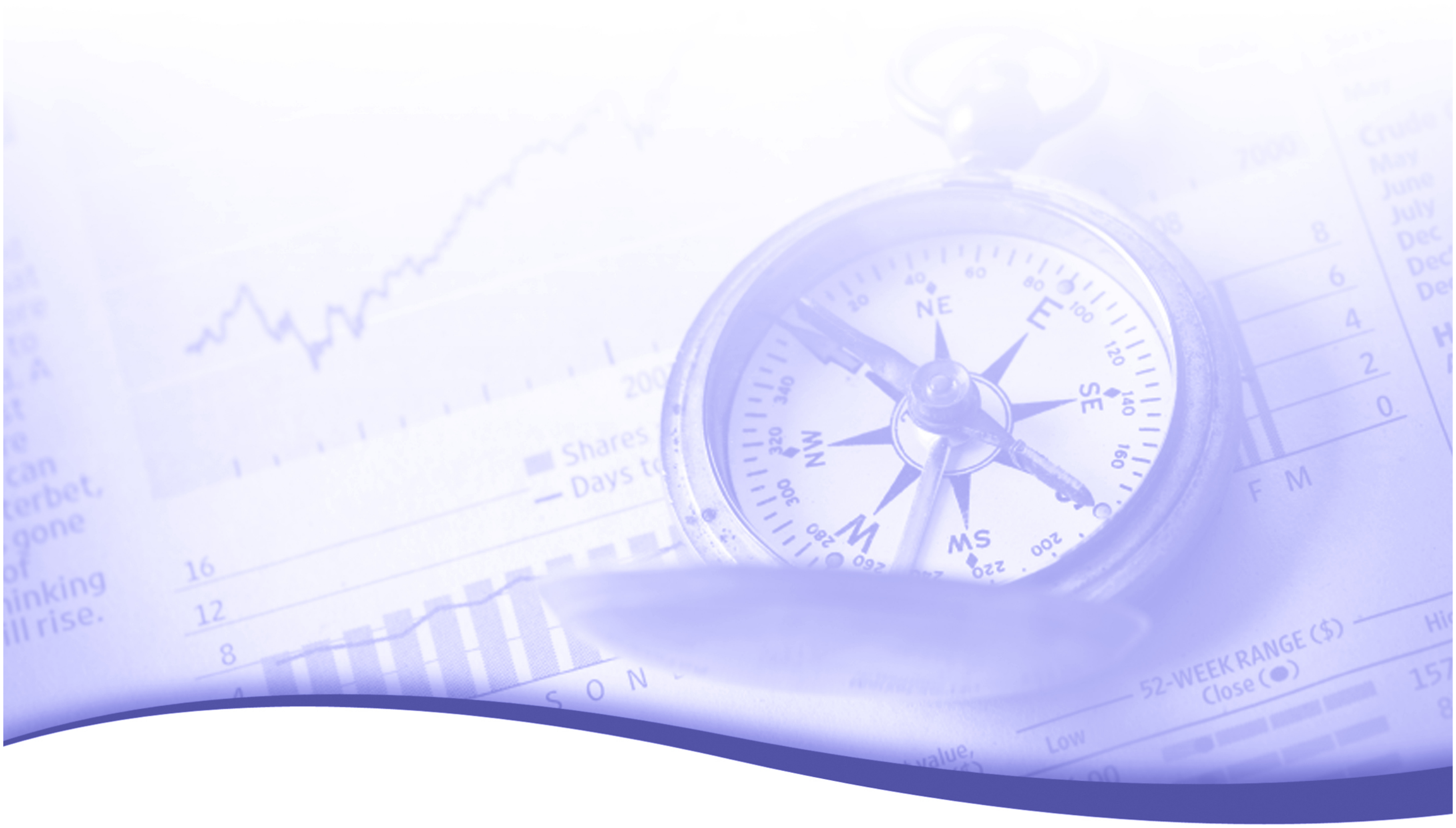
Personal Residence Issues in Retirement



Personal Residence Issues in Retirement

What is it?

As you grow older, housing issues become an integral part of your retirement plans. You may be living on a fixed income and want to get additional cash by borrowing against the equity in your home. You may feel isolated in that big house you bought 30 years ago when your children were young. Perhaps your health isn't what it used be, and you may desire more convenient access to medical services or may need around-the-clock care. Maybe you want to leave your home to your children and avoid estate taxes if possible. These are just a few of the personal residence issues you may be facing in retirement. It is important to make a timely examination of the primary residence issues in your life. Financial, emotional, and physical considerations will drive your decisions. Careful planning may allow you to enrich the quality of your retirement years, get the health care and services you need, and maximize the financial benefits of homeownership for you and your family.

Getting the most out of your current home

If you are living on a fixed income, you may want to use the equity in your home to obtain additional cash. One way in which you can tap the equity in your home is by obtaining a reverse mortgage. One advantage of a reverse mortgage is that repayment is deferred until a later time. A home equity loan or second mortgage may also provide you with cash, but repayment is not deferred. Renting your home may provide you with additional cash flow and tax benefits, and seeking relief from real estate taxes may allow you to lower the expense of maintaining your home.

If you plan to leave your home to your family, you may be able to avoid estate taxes and continue using the home as your principal residence. A qualified personal residence trust allows you to transfer the home to your intended heirs now and retain the right to use the home for a number of years. A gift- or sale-leaseback transaction also involves a current transfer of your home but requires you to rent the home thereafter. If instead you decide to sell the house and move to a more agreeable climate or closer to the grandchildren, you should know that under the current tax laws, you may be able to exclude up to $250,000 ($500,000 for married couples filing jointly) of gain.

Other residence options

You should carefully consider your housing options before pulling up stakes and moving out. There may be advantages to staying where you are and financial products to help you do so. You may also be able to take advantage of in-home care programs if you need in-home healthcare services, household help, or personal care assistance. However, if you decide to move on, you also have choices.

Moving in with (or near) your children often seems the obvious choice, but be aware of your emotional and physical needs before taking over the spare room in your child's house. If you need independence but don't want to buy another house, consider an independent living community (retirement community) where you can rent or own a condominium or townhouse. Someone else will mow the lawn and shovel the sidewalk, but you can enjoy the privacy of your own living space. If you are faced with physical or medical limitations, assisted living options may be your best bet. Typical assisted living arrangements provide you with a room or apartment, housekeeping services, meals, transportation, and, in some cases, nursing services. When you need more care, your last resort may be a quality nursing home.

Choosing a continuing care retirement community

Continuing care retirement communities are an increasingly popular assisted living arrangement for retirees. If you are currently in good health, a CCRC will agree to provide you with housing and nursing home care throughout your life. When seeking the CCRC that is right for you, compare entrance fees, monthly fees, additional insurance requirements (if any), and the financial condition of the facility. In addition, check the quality of the facility and medical care provided. Be aware that a portion of your fees may be tax deductible as medical expenses.

Choosing and paying for a nursing home

The prospect of entering a nursing home can be a frightening one. However, there are good facilities that provide care and services not available elsewhere. You must choose carefully. Examine the quality of medical care and the cost of the care. Look at the appearance of the facility and grounds. Find out about safety and security. Ask about recreational activities and staff-to-resident ratios.

There are a number of ways to pay for nursing home care. You may have sufficient savings, or you may have long-term care insurance. Long-term care (LTC) insurance premiums may be tax deductible, and you may be able to exclude LTC insurance reimbursements from income. Government benefits may also pay for a portion of your nursing home costs.

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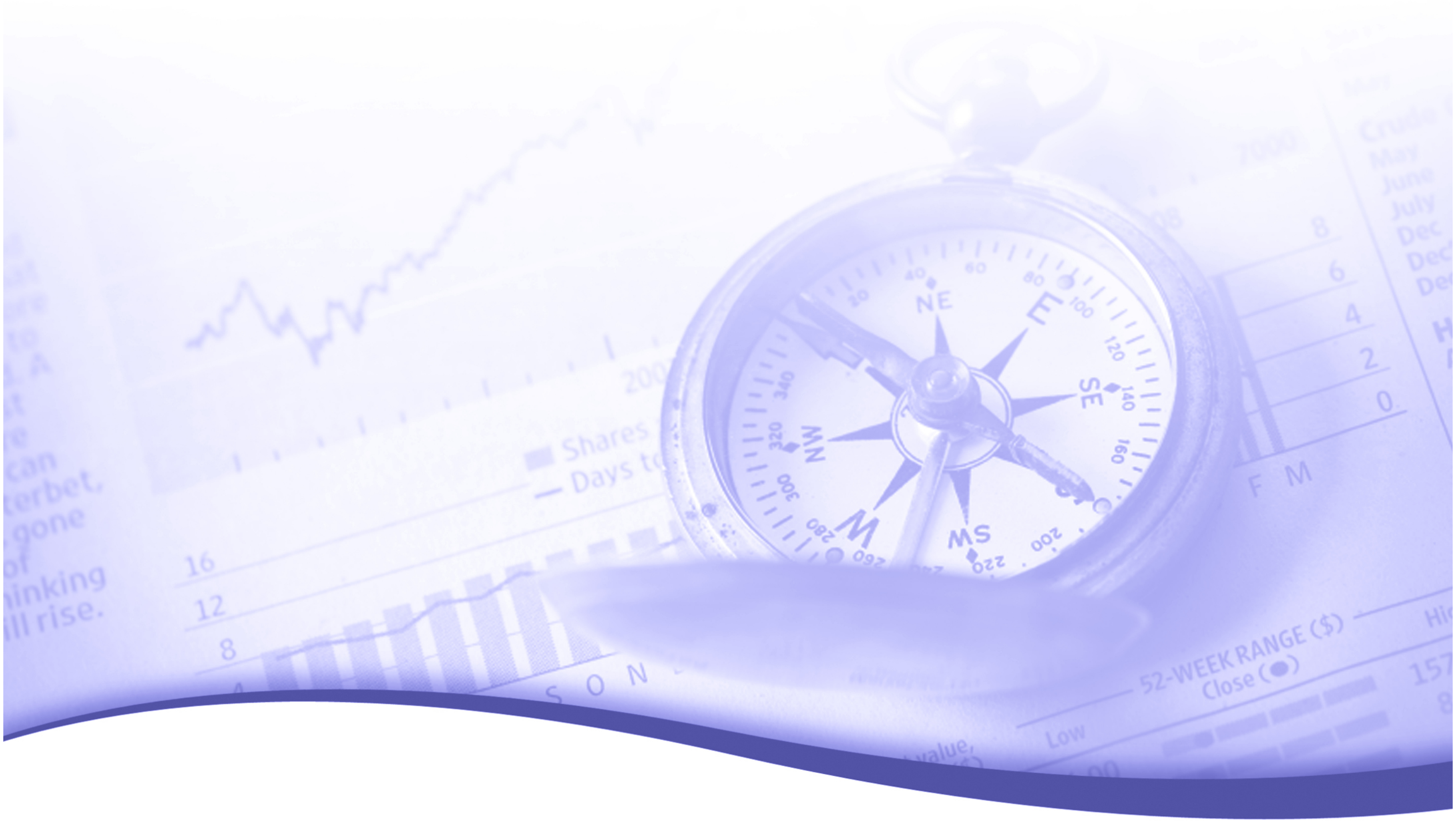

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