

# Del Mar Times

## ***Reverse thinking: Will Social Security retire before you do?***



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People have traditionally seen Social Security benefits as the foundation of their retirement planning programs. The Social Security contributions deducted from your paycheck have, in effect, served as a government-enforced retirement savings plan.

However, the Social Security system is under increasing strain.

Better health care and longer life expectancies have resulted in an increasing number of people drawing Social Security benefits. And as the baby boom generation — those born between 1946 and 1964 — approaches retirement, even greater demands will be placed on the system. It is projected that there will be fewer active workers supporting each Social Security pensioner.

You should consider that, as your income gets higher, Social Security replaces a proportionally smaller percentage of retirement benefits. It used to be that you received full benefits only after you reached age 65. But in 2000, the age for qualifying for full benefits began increasing on a graduated scale. By 2027, the age for qualifying for full retirement benefits will change to age 67, where it is scheduled to remain.

This means that, in the future, you will probably have to wait longer to qualify for full Social Security benefits to start replacing a smaller percentage of your pre-retirement income.

The Social Security Administration will assist you in calculating your projected retirement benefits. You can call (800) 772-1213 and ask for Form SSA-7004, the

Personal Earnings and Benefit Estimate Statement, or you can access the form on the Internet at [www.ssa.gov](http://www.ssa.gov).

Complete the form, return it to the Social Security Administration, and you will receive a current estimate of your benefits.

Consequently, your long-term retirement planning program should recognize Social Security benefits as playing a more limited role when calculating required retirement income.

What is a reverse mortgage? Here's a concept: What if the bank paid you for owning your home? That's the premise behind a relatively new investment device called a reverse mortgage.

We know what reverse means — backward or opposite — so let's look at what a mortgage is. A mortgage is a loan from a bank for a home. You have title of the home. In exchange for the loan, you pay the bank interest and promise to properly insure the home and pay the appropriate taxes. You make monthly payments to the bank to cover the interest and repay the principle.

Let's say that by age 62, the minimum age to qualify for a reverse mortgage, you have repaid or nearly repaid your mortgage. You need an additional source of income. With a reverse mortgage, the bank gives you money, either in a lump sum or payments. You retain title to the house and responsibility for paying property taxes and homeowner insurance. The bank charges you fees for the funds, but you make no monthly payments. Instead, the funds and related fees are repaid at the time the home is sold.

A reverse mortgage may be right for you if your regular income is not meeting your cost of living, you have a fixed income and your home is your only asset, or you do not plan to bequeath your home in your will.

On the flip side, it may not be for you if you do not want to bequeath your home free and clear or you have other, less-costly ways to borrow money.

A reverse mortgage differs from an equity loan or equity line of credit in that there are no monthly payments or specified repayment date. However, the mortgage lender can require repayment if you fail to pay property taxes, maintain and repair your home or keep your home insured.

The amount of money you can receive from a reverse mortgage depends on the specific program as well as your age and the value of your home. Fees can also vary.

If you still owe on your first mortgage, you must use the funds from the reverse mortgage to repay the initial mortgage, as the reverse mortgage must be the primary debt against the home.

Your total debt on a reverse mortgage is the sum of all the loan advances you have received plus any interest or fees. If that amount is less than the proceeds from

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the sale of your home, you repay the reverse mortgage and keep the difference. Your total debt is limited by the value of your home, so you can never owe more than what your home is worth. Reverse mortgage lenders may not seek repayment from your income, your other assets or your heirs.

Although a reverse mortgage may be a possible solution to produce a retirement income supplement by tapping home equity, we recommend that you use extreme caution whenever you consider converting your home equity into cash.

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