BOOSTING YOUR RETIREMENT CASH FLOW

And living the life you deserve…
Finance specialists hold the secrets!

While some Aussies are heading back to the work force after 65 due to financial or other reasons, not everyone wants to or has the health to be able to do so.

So what are the options if you are not feeling confident that your superannuation, investments and savings will allow you to live a comfortable lifestyle in retirement?

Interesting fact: From 2014 to 2054, the number of people over 85 years is expected to more than quadruple[1].

The Association of Superannuation Funds of Australia (ASFA) estimates the average superannuation balance required to achieve a comfortable lifestyle is $640,000 for couples and $545,000 for singles[1] based on a retirement age of 65 and 20 years in retirement assuming a partial age pension.

Many Australians retire cash poor yet asset-rich.

Low interest rates have been great for homebuyers over the last few years, however not so great for retiring savers.

Retirees are worried about their savings earning very little interest. However they can take advantage of these low rates now by tapping into the equity in their property to fund their retirement lifestyle.

Retirement income does not have to be all about your super balance, savings account, term deposit or investments.

A REVERSE MORTGAGE COULD BOOST YOUR CASHFLOW, YOUR LIFESTYLE AND PEACE OF MIND IN RETIREMENT.

A reverse mortgage is a type of loan that allows you to borrow money by using the equity in your home as security.

Previously risk-averse retirees would have been uncomfortable with reverse mortgages.

But times have changed.

Money is probably the tightest it has been for retirees in the past[2] and they are reconsidering these products.

A review into the reverse mortgage market by the Australian Securities and Investments Commission in 2018 found there was a poor understanding of the costs involved, the interest rates available and whether borrowers would be kicked out of their family home.

In a nutshell, lenders are failing to explain the financial product, the benefits and the long-term risks[3]. And where there is uncertainty, there is typically no action.

This is where WE can help YOU (or your parents).

'Finance specialists provide value to senior borrowers.'

Mortgage and finance broking industry commentator *The Adviser* says mortgage brokers can provide a lot of value to senior borrowers, offer open communication and help break down the complexities of loans.

Here are SOME of the facts we can tell you about reverse mortgages:

- Australians from over the age of 60 can access finance using the equity in their homes while still living in the property.
- The amount borrowed can be paid as a lump sum, a regular income stream, a line of credit or combination of these options. Regular income stream payments or a line of credit are less costly than a lump sum.
- The cost of the loan depends on the interest rate and fees.
- Interest is charged like other loans but you don't have to make repayments while you live in the home – the interest compounds over time and is added to your loan balance.
- You pay the loan in full when you sell, move out of the home (if you move into aged care) or pass away. The compounded interest and the outstanding loan principal are repaid to the lender under these circumstances from the sale proceeds.
- It might leave less inheritance for the family but can massively improve your retirement lifestyle!

Other considerations

Why don't I simply downsize?

For those retirees considering downsizing instead of a reverse mortgage, keep in mind all the transaction and moving costs, as well as the more emotional aspects of moving away from family and friends.

Some of our clients in capital cities are finding that to move out of the family home into a brand new apartment is close to a break even experience in some instances leaving very little in cash reserves. You could still end up requiring a reverse mortgage in years to come.

What if I take out a reverse mortgage and property values fall?

On 18 September 2012, the Government introduced statutory 'Negative Equity Protection' on all NEW reverse mortgage contracts. You cannot end up owing your lender more than what your home is worth (market value or equity)[4].

Also, you can generally only borrow an amount of up to a maximum of 45% of the equity in your home (depending on your age[5]).

As your finance specialist, we can help you make the right decisions in conjunction with other financial and legal advisers to ensure your personal finances and retirement goals are appropriate for your circumstances.

Please contact the office if you have any questions.

1. Canstar/ASFA November 2019ASIC
2. www.afr/wealth/personalfinance/reversemortgages
3. Review of reverse mortgage lending in Australia, August 2018
4. ASIC MoneySmart, Reverse Mortgages
5. CANSTAR

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