



Legal Ease Property Loans

REVERSE MORTGAGES

Asset Rich, Cash Flow Poor!

Is there a Solution to the Baby Boomers' Dilemma?

In the 21st Century, the days of the aged pension and Superannuation providing an adequate living for retirees are no longer necessarily true. In the decades past, it was expected that most householders would own their homes upon retirement and that the aged pension would provide for our everyday living expenses, including the occasional outing. We were advised that it was necessary to have superannuation to provide a better level of living during retirement, and we made sure we contributed funds out of our wages and more recently our employers also contributed to our super.

For some, there is now a realisation that there just isn't enough income from those sources anymore to continue to provide that standard of living. Australia's ageing population's reality is, that their superannuation payments, aged pension or indeed the investments that they have previously relied upon to support them in retirement are only just covering the ever increasing expenses of life, let alone luxuries.

Let's look at some alternatives to living rather than enduring retirement

1. One answer to this problem is that you can sell your home and buy something smaller.
2. You can borrow from your family or friends to put into more income producing investments.
3. Another answer may be to have your family help out financially at those really difficult times when the bills outweigh your ability to pay.

Now let's take a look at these options...

1. To sell your home... you will have to leave the area, friends, club memberships, doctors, chemist, shopping areas, not to mention the family home with all those memories and relocate to start all over again.
2. Borrow from family and friends... this is a short-term solution that may be OK. We suggest that a legal agreement be put in place to avoid any misunderstanding. The loan has to be repaid at some point and it must also be noted that borrowing from family and friends quite often leads to bad feelings, and no-one wants that.
3. Help from family... let's face it, this is not the best solution, the financial pressure is not only on retirees but their families are also finding things a bit tougher. This can lead to some hard feelings, with the request for money becoming a burden from time to time, not to mention that it's demoralising for those who are doing the asking.

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For the solution to the Baby Boomers' dilemma...

We should look at the English and American experience. For many years their senior residents have had the benefit of reverse mortgages. Last year in the US alone the growth in reverse mortgages was at an all-time high of 74% from the previous year! You may ask yourself, "What is a reverse mortgage?"

REVERSE MORTGAGES: Case study

Emily is a 71 year old widow living in her home in an inner Sydney suburb. The value of the property is \$700,000. She is seeking funds to enable her to pay out the remaining P&I loan balance of \$20,000, do a few repairs around the home and to take a last trip back to England to see her remaining relatives.

Given her age of 71 years, she can borrow up to 21.5% of the value of the property, which is \$120,400 and she can also elect to take the Protected Equity Option which guarantees a minimum of 20% of the value of her home will be available when the home is sold or reverts to her estate.

Emily has decided to apply for \$60,000 with the 20% protected equity option reverse mortgage. These funds have now relieved her of the burden of the mortgage repayments as well as being able to attend to those worrying house repairs, and she can now travel back to England and have a worry free trip. All this and no repayments are necessary at all.

A reverse mortgage allows you to...

Unlock some of the equity in your house and use these funds for any worthwhile purpose you choose. You may wish to invest, go caravanning or on that holiday you have always wanted, give the kids a deposit for their first house or indeed to renovate your home you love so much. The best part is you never have to make any repayments if you so choose, the debt is paid back when you decide to move out, sell your house or die. This is essentially what a reverse mortgage is.

There are a few requirements of course...

You need to be between the age of 60 and 85 years, own your own home or investment property and you obtain independent financial and legal advice. How much you can borrow depends on your age and the value of your property. If you wish to know how much you would be able to borrow you need to contact Seniors Reverse Mortgages – through a lending manager.

To arrange a free appointment at a time and place that suits you, call us on **02 9602 8488**.

Download more helpful fact sheets from our website:

Retirement Planning

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www.mgfarrugia.com.au/services

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