



For the first time in history we are going to have retirees taking care of retirees. This is a crazy thought but as we are living longer it is a reality. How are we going to finance our retirement and for some of us we are going to have to help finance our parents retirement.

Stats show that retirees are the fastest growing segment of our population. Between 2006 and 2026 the number of seniors in Canada will increase from 4.3 million to 9.8 million. This means that this share of the population will rise from 13.2% to 21.2%. Interestingly, a 65-year-old couple will have a 1 in 2 chance that one of them will reach the age of 92.

This sounds expensive, and it is. So where is the money going to come from? Stats show that people between the ages of 55 to 65 have less than \$125,000 in their RRSPs to retire on and 68% of pre-retirees expect to carry debt into retirement. If you are counting on pension income, the average is \$25,579 per year and only 7% of seniors have an income over \$50,000. Let's look at some more stats: 77% of seniors net worth is home equity, 1.4 million seniors own their own home and are mortgage free. 17% view their home as their retirement fund and 84% of seniors don't want to move.

I like to approach mortgages from a planning point of view. As stated above 1.4 million seniors own their homes free and clear and 84% don't want to move. What are your retirement options then? One of the options has been a mortgage but of course you still have to qualify for it and as a retiree it gets harder and harder. Plus you have to have the monthly cash flow to make the mortgage payments and with tighter lending rules this is getting harder to do.

Recently I had the opportunity to see a presentation about reverse mortgages. I must admit before this I had certain set ideas about a reverse mortgage and a lot of them were wrong. Some common misconceptions of a reverse mortgage include that you do not retain ownership of the home, this is incorrect, the title of the home stays in your name. Another misconception is that you are tied to the home unless you go into a care home or pass away. This is not the case, you can move or sell at anytime. The reverse mortgage to be paid back is more than the house is worth, again this is not correct. The amount to be repaid is guaranteed not to exceed the fair market value of the house at the time it is sold.

It can offer substantial monthly cash savings when compared to a traditional mortgage because no repayments are required while you reside in the home. These savings can amount to hundreds or even thousands of dollars a month. You can also choose to pay the interest charges each year and then at the end of the reverse mortgage the only amount to be repaid is the original loan amount. There are also tax savings you can take advantage of during the life of the reverse mortgage, depending on what you use the fund for.

Reverse mortgages have come along way in the last few years, the rates are competitive, you can choose various payment options and qualifying is not hard.

I am not saying that reverse mortgages are for everyone but they are an option that is worth looking at if you are facing retirement with a short fall or if you have elderly parents who need care and you are not sure how to finance it.