

Retirement Planning

As individuals approach retirement, strategic financial planning helps to ensure a comfortable and secure future. Real estate, often a substantial part of an individual's wealth, can play a pivotal role in retirement planning.

DOWNSIZING

One common and practical approach to real estate in retirement planning is downsizing. Many retirees find that their current homes may be more than they need, both in terms of space and expenses. Downsizing involves selling a larger property and purchasing a smaller, more manageable one, often resulting in reduced maintenance costs, property taxes and utility bills.

The proceeds from selling the larger home can then be redirected into retirement savings, providing a financial cushion during retirement. Additionally, the freed-up equity can be invested to generate income or used to purchase a retirement property outright, eliminating the need



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for ongoing mortgage payments.

REAL ESTATE INVESTING FOR PASSIVE INCOME

Real estate can be a valuable asset class for generating passive income in retirement. Some retirees choose to invest in rental properties, commercial real estate or real estate investment trusts (REITs) to diversify their income sources. Rental income from properties can provide a steady cash flow, helping to supplement retirement savings and

cover living expenses.

Investing in REITs, which are publicly traded companies that own or finance income-producing real estate across various sectors, offers a hands-off approach to real estate investment. REITs typically distribute a significant portion of their income to shareholders in the form of dividends, making them an attractive option for retirees seeking regular income.

HOME EQUITY

Home equity, the difference

between the market value of a property and the outstanding mortgage balance, can be a valuable financial resource in retirement. Several strategies allow retirees to leverage their home equity for financial flexibility.

One option is a reverse mortgage, which allows homeowners aged 62 and older to convert a portion of their home equity into tax-free loan proceeds. The loan is repaid when the homeowner sells the property, moves out, or passes away. Reverse mortgages can

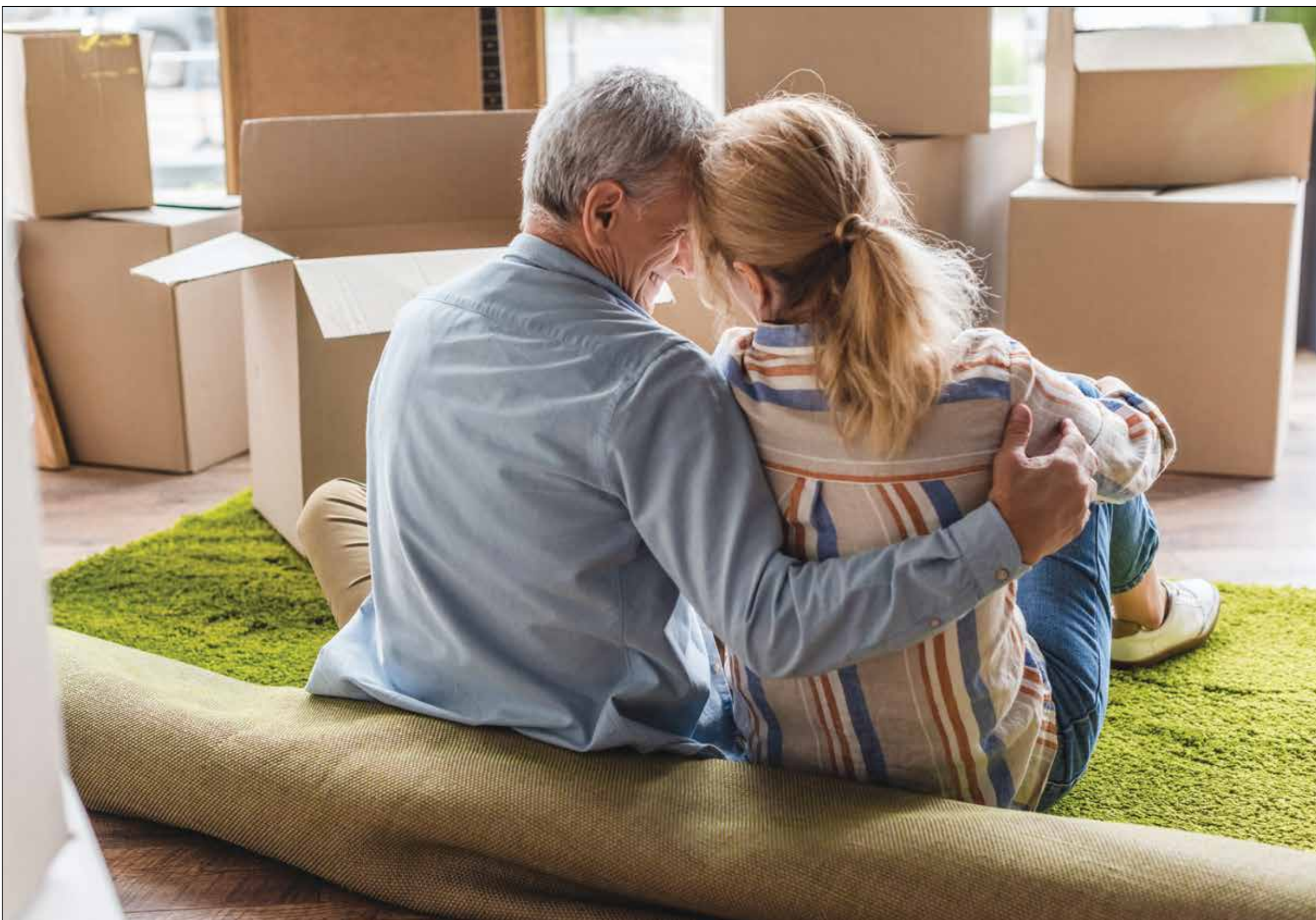
provide a reliable income stream while allowing homeowners to stay in their homes.

Another approach is a home equity line of credit (HELOC), where homeowners can access funds as needed, using their home as collateral. This flexible financial tool can be used to cover unexpected expenses, fund home improvements or supplement retirement income.

New Retirement points out that homeowners can also use the physical space in their home to generate retirement income by renting out a room in their home, house-sharing or even just renting out the home when they go on vacation using a service such as VRBO or Airbnb.

PLANNING

If you are approaching retirement, take the time to assess your real estate holdings in the context of your overall financial plan. Consult with financial advisors, consider tax implications and stay informed about market trends to help make informed decisions about how to leverage real estate assets for a comfortable and worry-free retirement. By strategically integrating real estate into retirement planning, you can build a solid foundation for financial well-being in your later years.



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REAL ESTATE 101



HOMEWISSE GLOSSARY

KISS to Sell

When it comes to remodeling, follow the KISS principle: Keep it simple, seller. Don't remodel every room in the house at the same time. Make a list of projects and then do one thing at a time based on the time you have available. This way you won't end up with a bunch of unfinished projects that will make the house harder to sell.

Mortgage commitment: a written notice from the bank or other lending institution saying it will advance mortgage funds in a specified amount to enable a buyer to purchase a house. **SOURCE:** Illinois Real Estate Lawyers Association

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