



Off The Financial Grid

by Cindy Slettevold

Boosting the Power of Home Equity for Retirement

Living off the financial grid, like living off the energy grid, is to be free and independent of a system. Retirement should be a time of complete freedom, as well as financial independence. Money should not be cause for worry. Many retirees look to their home equity during this time as a wonderful source of revenue and peace of mind. It is and it can be made even more effective.

Once a home is paid for, a reverse mortgage is often used to liquidate the equity in the home without having to sell it. The bank pays out the available equity in installments, a lump sum or just makes it available to the homeowner as a line of credit when needed. The funds are not taxable, the homeowner retains title to the property and the lender assumes all of the risk if the home drops in value.

The greatest benefit is that the loan doesn't need to be paid back until the owner sells the home, moves out of the property or passes away. However, for some owners, this can create a problem. If the owner needs to move, he is forced to sell and he loses the benefits of the monthly income. If he passes away, the heirs could lose the home if they cannot refinance it.

How can this be avoided? Use the home equity to fund a Single Premium Immediate Annuity, also called a SPIA. A SPIA will protect the funds and the funds will continue to grow in the policy. A monthly income is guaranteed for a fixed period or for the rest of the owner's life or the life of his surviving spouse. By guaranteeing his income, the homeowner has the freedom to keep his home as long as he wants to, whether he lives in the home or not. The owner can also purchase a life insurance policy to further protect his income and inheritance.

Temporary equity income has now been converted to permanent income and the client retains full control of his assets rather than being controlled by his circumstances. He protects his assets and his family's inheritance as he continues to live 'Off The Financial Grid'!