Managing Your Home Investment

For many individuals, their homes are their largest asset and provide a major contribution to building net worth. Your home is an investment, so you should develop strategies to manage that investment. Some points to consider include:

✔ **Don't stretch to purchase the most expensive home you can afford.** The reason homes contribute so significantly to many people's net worth is that you retain any price appreciation on the entire home, even though you only put down 10–20% of the purchase price. That fact causes many people to strain their budgets and purchase the largest home they can afford, hoping the increase in the home's value will more than offset the sacrifices made along the way. Before embarking on such a strategy, consider all the risks. If home prices start to fall, you could end up owing more than the home is worth. Also, should your income decline or you lose your job, you may have difficulty paying the mortgage and other housing costs[illegible] It may be a better strategy to p[illegible]chase a home you can afford[illegible]

✔ **Don't take equity out of y[illegible] home in the form of a home equity loan or a hig[illegible]ge balance.** While lower interest rates allow many homeowners to reduce their monthly mortgage payments, many also opt to take equity out of their homes and stretch mortgage payments over longer periods. One of the main advantages of home ownership is it's a forced savings plan with part of each mortgage payment going toward equity. Resist the urge to take that equity and spend it on something else.

✔ **Make sure you have adequate insurance.** Your homeowners insurance policy should be sufficient to completely rebuild and refur[illegible] your home in the event of a t[illegible] disaster. Check the limits [illegible]ur policy every year and i[illegible]e those limits if needed. You wi[illegible]bly want a guaranteed replacem[illegible] clause, which pays the entire c[illegible] rebuilding y[illegible]me.

✔ **Inven[illegible] e[illegible]g in your home.** [illegible] can e[illegible]te or videotape the [illegible]ntory [illegible] everything in y[illegible] h[illegible], systemati[illegible] [illegible]orking yo[illegible]y around [illegible]m so no[illegible] is left out. Keep [illegible]ipts for la[illegible] items with the i[illegible]tory. The i[illegible]entory and re[illegible] substantiate a [illegible] in the [illegible]t your home and contents are destroyed. ❍❍❍

Catch-Up Savings Options

Once you hit your 50th birthday, most people are well on their way to retirement. What happens if retiring in the near future seems like an impossibility? Don't worry, there are special provisions in place that are dedicated just to individuals like you who are trying to play catch-up[illegible]

F[illegible]et's look at IRAs. Most pe[illegible]an contribute $5,500 or [illegible]mpensation; but if you're [illegible]ayin[illegible]-up and are over 50 (by the e[illegible]he year), you can put in an additi[illegible],000 dollars. Not a huge additio[illegible]ount, but it d[illegible]s make a difference.

If you're over 50 (or will be by the end of the year) and are enrolled in an employer-sponsored plan, you too can put your retirement savings [illegible]to overdrive in excess of your [illegible]ounger coworkers. If you have a 401(k), 403(b), or a 457 plan where you're able to defer $18,000, you can bump that up another $6,000, which can make a huge difference.

So you see, being over 50 does have its advantages. If you're still playing catch-up at this age with your retirement, there is still plenty of time to get back on track. Please call to discuss this in more detail. ❍❍❍

[illegible] Financial Thoughts

Women h[illegible]iremen[illegible] income tha[illegible]% [illegible]er than their male cou[illegible]ts. That disparity is found bot[illegible]n traditional pensions and 401(k) savings, where women's balances are approximately two-thirds of men's balances (Source: *Journal of Financial Planning*, October 2016).

The average American expects to retire at age 65, up from age 63 in 2002. However, 26% of baby boomers expect to retire at age 70 or older (Source: *Journal of Financial Planning*, October 2016).

The average amount of Social Security benefits paid to those over age 65 in retirement was $12,232 in 2014 (Source: MarketWatch, 2016).

Approximately 30% of adults born in the 1940s and 1950s have a traditional pension plan, compared to 11% of those born in the 1980s (Source: Urban Institute, 2016).

Medicare, by itself, covers approximately 60% of medical expenses (Source: *The New York Times*, 2016).

Approximately 20% of U.S. workers are making less than they did five years ago, while 23% say that their job does not take full advantage of their skills (Source: Gallup, 2016). ❍❍❍