

Chapter 17 Retirement and Estate Planning

Economics and You: Gross Domestic Product

Directions Read the scenario and conduct research to answer the questions.

As a financial advisor, help a family make decisions about when to retire and what they may have to do so they can sustain their current lifestyle. The 64-year old husband is still employed and pays into a 401K account. He does not have a pension. His 62-year old wife is retired and receives a pension. Neither one is receiving Social Security benefits. Medical insurance is covered by the husband's employer. The couple is also subsidizing their daughter's family by paying their rent and some other expenses.

1. When can and should the couple start receiving Social Security benefits?

2. How might the couple ensure their daughter's family will be cared for in the future?

3. What type of insurance should they purchase? What is the approximate cost?

4. Based on current GDP, what other advice or suggestions would you give this couple?

Directions Conduct research on reverse mortgages to see if one might help the couple in the previous scenario who own their own home and have a \$50,000 mortgage left on it. The house is appraised for \$350,000.

1. What is the difference between a reverse mortgage and a home equity loan? What is the maximum home value upon which it may be calculated?

2. Can the above couple qualify for a reverse mortgage?

3. Use a reverse mortgage calculator, which you can find on the Internet to calculate how much the monthly loan advance would be on their reverse mortgage. Use your zip code.

4. Would you suggest a reverse mortgage for the couple? Why or why not?
