Last Minute Real Estate Retirement Strategies

by Juliette Fairley for MainStreet

NEW YORK (MainStreet) — The percentage of Boomers showing high levels of confidence in their retirement finances dropped to 35% this year from 44%, according to a new study.

"One of the most striking developments since we began this research series is the decline in Boomers who did not know when they would retire," said Cathy Weatherford, president and CEO of the Insured Retirement Institute (IRI).

An IRI study found that many are deciding to retire later in life with only 42% expecting things to improve in five years.

One way to make up for lost time before the golden years set in is through real estate.

"Investment property could be a great source of revenue in retirement because it pays for an indefinite period of time, addresses longevity risk and could also address inflation risk as rental income is likely to increase with inflation," said Dave Littell, retirement income certified professional and program director with The American College.

If selling a real estate property for its lump sum is the retirement strategy of choice, timing is key.

"The property should be staged and timed to sell during a hot season, such as Spring," said Wei Min Tan, a broker with Rutenberg Realty in New York. "This way the seller gets a better price."

But don't overestimate the value of the real estate property for sale.

"One of the most common mistakes people make is having an inflated idea about how much the business or property is worth," said Chris Snyder, co-author of *Exiting Strategies: The CEO's Seven Critical Steps To Cashing-Out of a Business, Managing and Preserving Wealth* and co-founder of Pillar Wealth Management. "If the value isn't where it needs to be, you may need to make some lifestyle changes or hold onto the asset longer."

Failing to properly invest the proceeds from the sale of real estate into a diversified portfolio of equities, bonds and money markets is another error.

"Having the right mix among the three offers you 93% of the return so don't get caught up in the hype and sizzle," said Haitham Ashoo, co-author and co-founder along with Snyder. "Less than 7% of the return you should expect is due to stock, bond or manager selection."

Ideally, however, Tan advises not sell property to fund a retirement.

"Real estate should be the asset to fund retirement via rental income not from the sale of the asset," Tan told *MainStreet*.

A second benefit of holding onto the asset is using the real estate to tap the equity of the home, such as a conventional home equity line of credit or a reverse mortgage.

"As middle income retirees have a lot of their wealth tied up in their homes, tapping home equity is likely to become more common in retirement," Littell told *MainStreet*. "A reverse mortgage can be taken with a tenure option to create regular income or as a line of credit to be used in emergencies."