

Defeat Debt

Credit Advisors Foundation

Volume 47, Issue 6

The Real Story—Retiring Credit

According to research conducted by SRI Consulting Business Intelligence, 34 percent of older households carried debt in 1992 and retirees owed an average of \$8000. By 2000 older household's debt loads had jumped 59 percent and the average owed had risen to \$23,000. In 2001 the average credit card balance for seniors 65 and better was \$4000, and almost half of all seniors with debt carried credit card balances.

Debt has become a part of everyday life for the general populace and seniors as well. Debt and its related problems have begun to tarnish the retirement dreams of seniors due to fixed incomes, increasing expenses, and higher debt

loads.

Drug costs are up 17 percent, medical insurance is up 15 to 25 percent and employer retiree health benefits are being reduced or eliminated. Property taxes are up 10 to 20 percent and homeowner's insurance is up 13 percent—while overall these expenses are rising at double-digit rates.

Analysts anticipate seniors' debt growth to continue as the baby boomers retire, comfortable with debt and not willing to delay gratification. Complicating seniors' financial picture are low market returns and low interest rates for retirement investments, limiting their ability to draw on these sources for living expenses.

Many seniors find themselves paying high interest and fees for credit, using credit cards for necessities such as prescription drugs, and groceries, attempting to bridge the gap between income and costs. Meanwhile, many seniors and those approaching retirement, are not saving enough to maintain their

dreamed-of retirement lifestyles.

Increasingly seniors find themselves with little choice but to consider bankruptcy. While seniors are still the smallest group of bankruptcy filers, the number of seniors finding filing necessary is growing faster than any other segment of the population. They also tend to be deeper in debt by the time they file for bankruptcy—averaging \$28,000 in credit card debt alone.

What can be done? Most options are the same for everyone, regardless of age. The basic idea? Slow down on debt.

First overcome your pride and talk about it. Talk about your situation to family, trusted friends or professionals, like Credit Advisors Foundation's Certified Credit Counselors.

Second, possibly even more difficult, quit giving money to children and grandchildren—you must have your situation under control before helping others.

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Analysts anticipate seniors' debt growth to continue.

Retiring Credit

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Third, make a budget. List your expenses and examine income sources. Can you make any adjustments?

Fourth, go easy on your credit cards. If at all possible, stop using them. The biggest problem with plastic is we tend to underestimate the amount of money spent and overestimate our ability to repay it. Don't forget to look for better deals. Most seniors have had the same credit card for years and there are many more options available now. If you prefer to stay with your current credit card ask for a lower rate. Monitor your credit card spending and pay off monthly. Avoid convenience checks as they carry too many additional fees and charges.

If necessary, investigate programs in your area and request a property tax reduction. Many cities and states offer seniors special considerations.

Check out options to tap into the equity of your home, with either a mortgage or reverse mortgage. While reverse mortgages can be complex and fees and interest rates can be steep, if you are 'house rich, and cash poor' this may be a useful option. *(Read more about reverse mortgages in the article below).*

Consider going back to work. Many rules are changing about working and collecting social security benefits—direct questions to the Social Security Administration about your options.

May's meeting was such a success we've planned another...



Refreshments and Door Prizes!
Please call Emily at
(402) 501-8182 to R.S.V.P.

If at all possible, pay major expenses before you retire.

Of course, if you or any senior you know has credit and debt questions, or needs help, call Credit Advisors Foundation immediately. Our certified credit counselors will talk to you about your situation and explain your options for action.

The more you learn, the more informed your choices will be as you make 'smart' credit decisions.

Client Advisory Meeting

June 29, 2004 7-8 pm CST

Omaha clients: 1818 South 72nd Street

Out of area clients: Conference Call toll free
1-866-285-7780 code 4425358

This is your opportunity to share your feedback and ideas as we make a greater impact on our clients and community.



The biggest problem with plastic is we tend to underestimate the money spent and overestimate our ability to repay it.

Are Reverse Mortgages the Answer?

More and more consumers are retiring or nearing retirement age with inadequate retirement funding. Increasingly, seniors face financial difficulties and many are searching for new ways to relieve the pressure. While reverse mortgages are not new, they are becoming more commonly the answer.

Reverse mortgages are for those who are 'house rich and cash poor'. They can be complex and costly, and there is much you need to know before making a decision to proceed.

Most importantly, reverse mortgages are a loan. The borrower must be 62 years of age or better and as the loan taps into the equity of their home,

their standard mortgage must be paid in full. Loan amounts are determined by the borrower's age and the value of the home. Unlike a standard mortgage, the borrower does not make payments to the lender. Cash payouts from the loan may include monthly payments to the borrower from the lender, lump sums, or as a credit line.

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Word Search * Word Search

June 2004 Word Search—This month in Word Search your looking for words from Defeat Debt articles in this issue about retirement credit and debt issues, reverse mortgages, and scams.

- BOOMERS
- BUDGET
- CERTIFIED
- CREDIT
- DEBT
- EQUITY
- FEES
- FRAUD
- INTEREST
- RATES
- RETIRE
- REVERSE
- SCAMS
- SENIORS

S	E	N	I	O	R	S	A	P
C	Q	M	N	W	U	X	D	T
A	R	K	T	E	G	D	U	B
M	E	E	E	C	Y	T	A	O
S	V	F	R	B	Z	I	R	O
J	E	D	E	B	T	D	F	M
R	R	R	S	E	H	E	E	E
A	S	A	T	L	S	R	V	R

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Repayment of the reverse mortgage occurs when the borrower sells the home, permanently leaves the residence (permanently placed in a nursing home, for example), or dies. Because the loan is not paid until the borrower leaves the home, it is very important that anyone considering the reverse mortgage discuss the issue with children or heirs so they are aware of the repayment obligations.

When considering this option, you must be aware that the interest rates and fees of a reverse mortgage are generally higher than a standard mortgage. Be sure to review all associated costs including appraisals, mortgage insurance, origination fees, closing costs, and any monthly servicing fees or charges. On average, 6 percent of the equity of the home will be committed to loan costs.

Most reverse mortgages require an annual certification that the homeowner/borrower is still living in the home and that upkeep of the home is being maintained (including all taxes and insurance).

The U.S. Department of Housing

and Urban Development (HUD) offers a guaranteed (through the FHA) reverse mortgage, that they call a Home Equity Conversion Mortgage (HECM). Although, like all

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mortgages, reverse mortgages pose some risk, the loan offering through HUD will most likely be your safest option, if you decide the reverse mortgage is for you.

During the process of applying for a reverse mortgage the borrower must complete counseling to ensure they are fully aware of all options available to them (both public and private) and the ramifications of the reverse mortgage to themselves, their heirs and their estate.

Credit Advisors Foundation is a certified Housing Counseling Agency with trained housing counselors available to answer your questions, review your concerns and assist you as you consider this important decision. Our certified housing counselors are also able to complete any necessary counseling documentation if you decide to move forward through the process.



Always explore all your options before deciding on a reverse mortgage.

Credit Advisors Foundation

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We're on the Web!

www.creditadvisors.org

Get out of debt, with no regret!

The Kitchen on a Dime—Big Red Chili Dogs

Throw some hot dogs on the grill this summer and prepare this chili to top them. Great for outdoor dining—if it gets messy, it won't matter!

Ingredients:

2 lbs lean ground beef
2 tsp. garlic minced
2 large onions, chopped
1 tsp. Cayenne pepper
3 Tbsp. Chili powder
1 tsp. Black pepper
1 tsp. Cumin
3 Bay leaves
1 tsp. Allspice
1 Tbsp Cocoa
1 tsp Cinnamon

1 can (6 oz.) tomato paste
2 tsp. Worcestershire sauce

Brown ground beef in a large sauce pan or Dutch oven.
Stir in garlic and onions. Cook until softened.
Add 4 cups of water.
Stir in remaining ingredients.
Bring to a boil. Lower heat. Cover and simmer for 3 to 4 hours, stirring occasionally.
Remove bay leaves before serving.

Optional add-in: Stir in a can of dark red kidney beans. Simmer until heated through.

Additional dog toppers: grated cheddar cheese, chopped onions.



Big Red Chili Dogs make for easy outdoor dining.

(About \$.90 a serving –including the dog and bun!)