

Is Your Home a Retirement Asset?

Some questions you should ask yourself if you plan to rely on the equity in your home to finance some or all of your retirement.

After years of making mortgage payments and tending to repairs and improvements, you may have a large investment in your residence by the time you retire. Maybe you're planning to finance your retirement with some of that investment. But before you count home equity as part of your retirement savings, ask yourself a few questions.

How much equity are you likely to have?

You can estimate this amount by subtracting how much you'll still owe on your mortgage and home equity loans when you retire from how much you expect your house to be worth. Will you want to sell your home?

There are basically two ways you can turn home equity into cash for your retirement: sell your home or take a reverse mortgage. In general, your most practical option will be selling, so think about whether you'll be willing to go that route when the time comes.

How much will a new home cost?

You'll need a place to live after you sell your home. Renting is one option. But, if you'd rather own your home, you'll have to buy another property. So the next step is to think about where you want to live and how much you'll have to pay to buy a home there.

What's the bottom line?

To add anything to your retirement savings, the new home you buy will have to cost less than the amount of equity you unlock when you sell your old home.

