

Ways to Make Ends Meet

Many seniors are feeling the pinch of higher gasoline and food prices as well as interest rates which are at an all time low. Couple these twin pinchers with rising health care costs and the squeeze can be unmanageable. So how can seniors on a fixed income generate a few more dollars to make ends meet? Here are a few ideas:

1. **A Reverse Mortgage.** If you are 62 or older, you may be able to tap into the equity in your home through a reverse mortgage. A reverse mortgage is like a home equity loan except there are no payments while the mortgagor is alive and living in the home. Typically, up to 80% of the equity in your house may be available for a line of credit, a monthly income stream, or a lump sum payment. The downside is that the closing costs are high and if you wish to pass the home to your heirs, then someone must pay off the loan.
2. **A Charitable Gift Annuity.** If you don't mind part of your estate going to charity, a charitable gift annuity may be the ticket to generate more income. A charitable gift annuity pays monthly payments to the owner for life and upon the owner's death, pays a designated charity the remaining balance. The older you are, the higher the rate of return. I have a client in her nineties who is receiving 11% on her annuities!
3. **An Impaired Risk Annuity.** The impaired risk annuity pays the owner a monthly payment for the remainder of the annuitant's life. The annuitant must be ill such that the annuity company can calculate a life expectancy. The sicker the annuitant, the higher the rate of return on the annuity. Basically, this is a wager that the annuitant will outlive the annuity company's life expectancy calculation. If that happens, the owner continues to receive payments. If the annuitant dies earlier, the annuity company wins.
4. **Cash Value in Life Insurance.** Many seniors have whole, variable or universal life insurance policies that have accumulated large amounts of cash value. This is often overlooked as an asset by the owners. A loan or lump sum payment may be taken out against the cash value.
5. **Life settlements.** Sometimes a senior may be able to find a life settlement company willing to purchase life insurance policies. These companies will generally pay a percentage of the death benefit to purchase the policy. Thus, the older or sicker the owner is, the higher percentage of the death benefit these companies will pay for these policies. This is because the company will not have to wait as long for their money.

I know some of these ideas are extreme. However, when money is in short supply and the bills keep coming, extreme measures must be taken. These are just a few ideas. There are others. Please consult with a financial specialist concerning your options.