



The Retirement Toolbox: The Role Home Equity Can Play

Anthony Webb
Center for Retirement Research at Boston College

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The National Retirement Risk Index

- Measures the percent of working age households who are “at risk” of being unable to maintain their standard of living in retirement.
- If households do not make use of reverse mortgages, 61 percent are “at risk.”

The National Retirement Risk Index (cont'd)

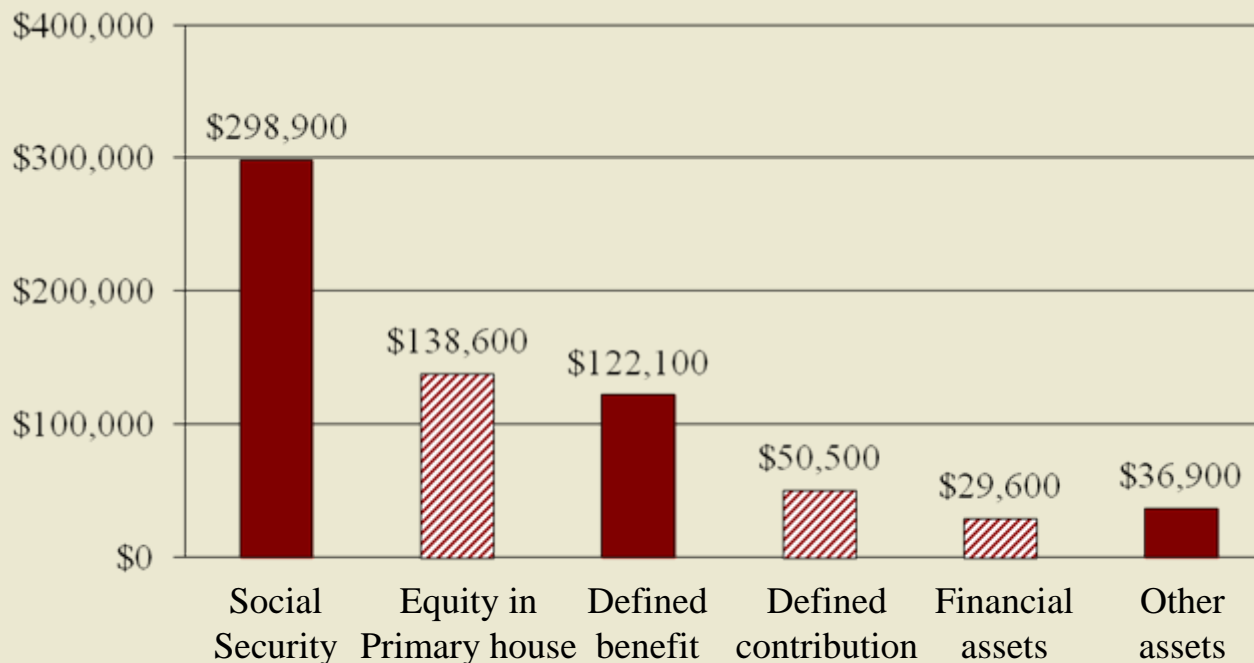
The National Retirement Risk Index, Without a Reverse Mortgage



Source: The National Retirement Risk Index. 2010. "The NRRI and the House." *Fact Sheet 1*. Chestnut Hill, MA: Center for Retirement Research at Boston College.

Apart from Social Security, the house is the largest asset of most households approaching retirement.

Wealth Holdings of a Typical Household Ages 55-64, 2007

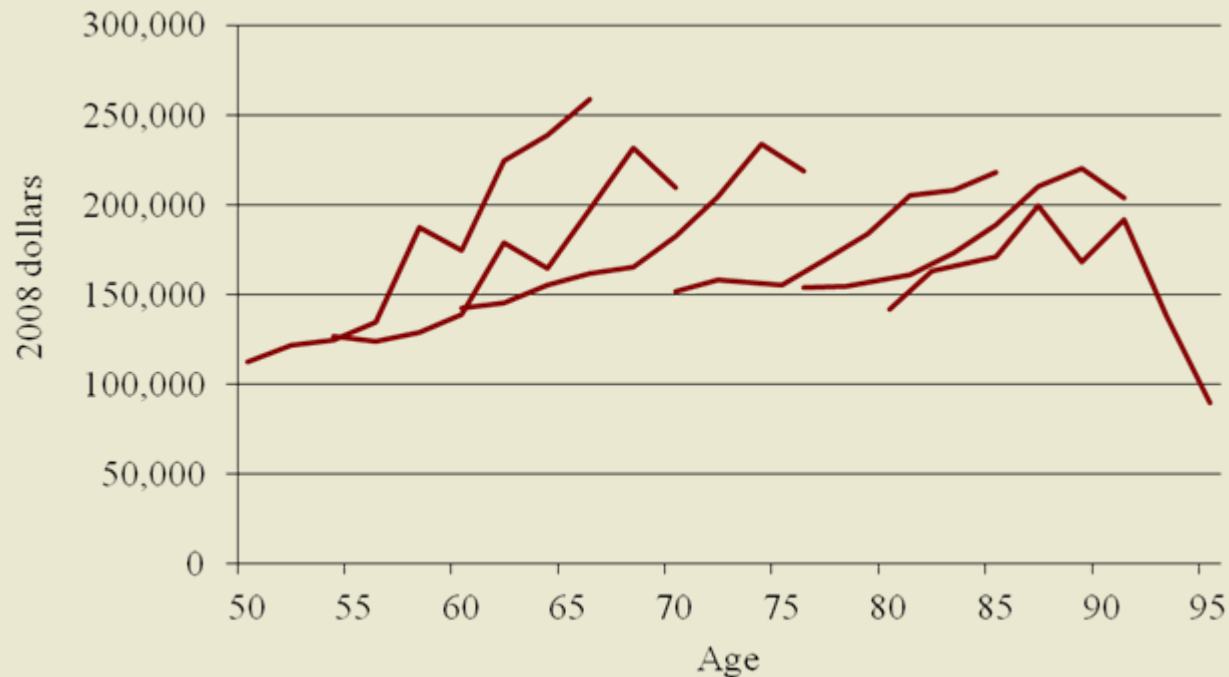


Source: Author's calculations from the U.S. Board of Governors of the Federal Reserve System. *Survey of Consumer Finances, 2007*. Washington, DC.

Households retain this housing equity until advanced old age.

- They rarely trade down, and only sell after a precipitating shock.

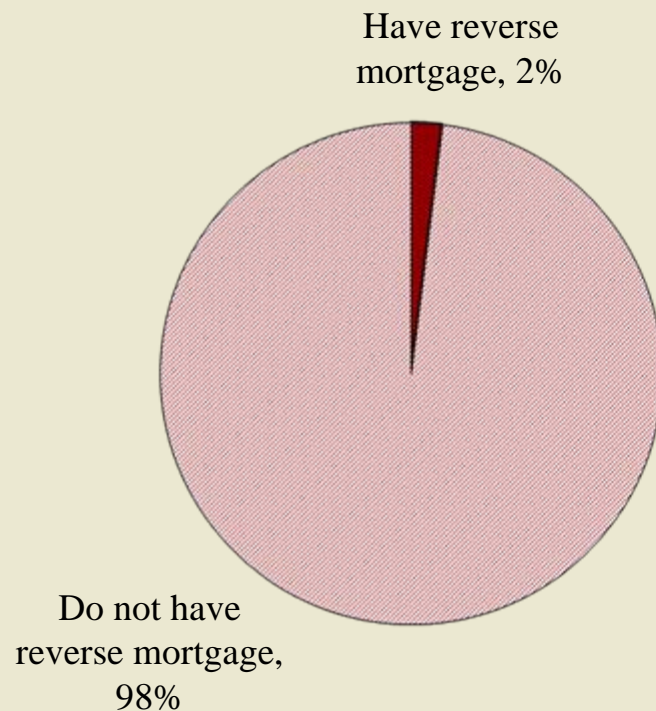
Average Home Equity for Two-Person Households, HRS and AHEAD Cohorts, 1992-2008



Source: Author's calculations from the University of Michigan, *Health and Retirement Study (HRS)*, 1992-2008.

They only rarely make use of reverse mortgages.

Homeowners Who Are Eligible for a Reverse Mortgage, 2008

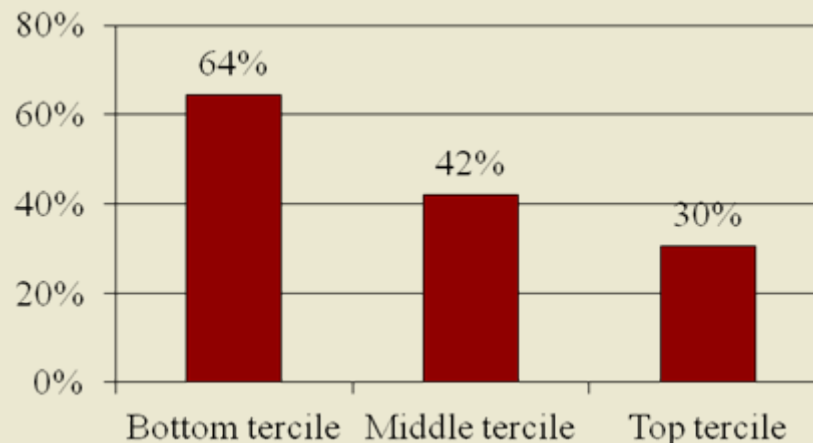


Source: Author's calculations based on data from U.S. Department on Housing and Urban Development; and U.S. Census.

Tapping home equity through a reverse mortgage can dramatically decrease the percentage of households “at risk.”

- It represents the largest proportion of the total wealth of low income households who are most “at risk” of having inadequate retirement income.

Housing as a Percent of Total Wealth, by Income, Excluding Social Security and Defined Benefit Wealth, 2009

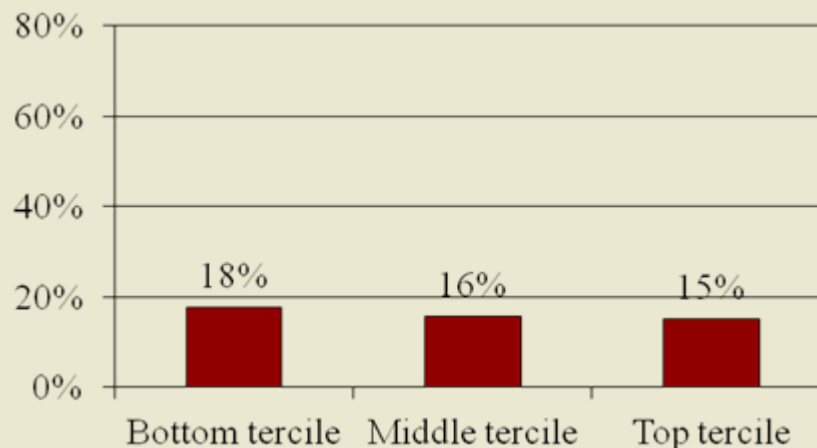


Source: The National Retirement Risk Index. 2010. “The NRRI and the House.” *Fact Sheet 1*. Chestnut Hill, MA: Center for Retirement Research at Boston College.

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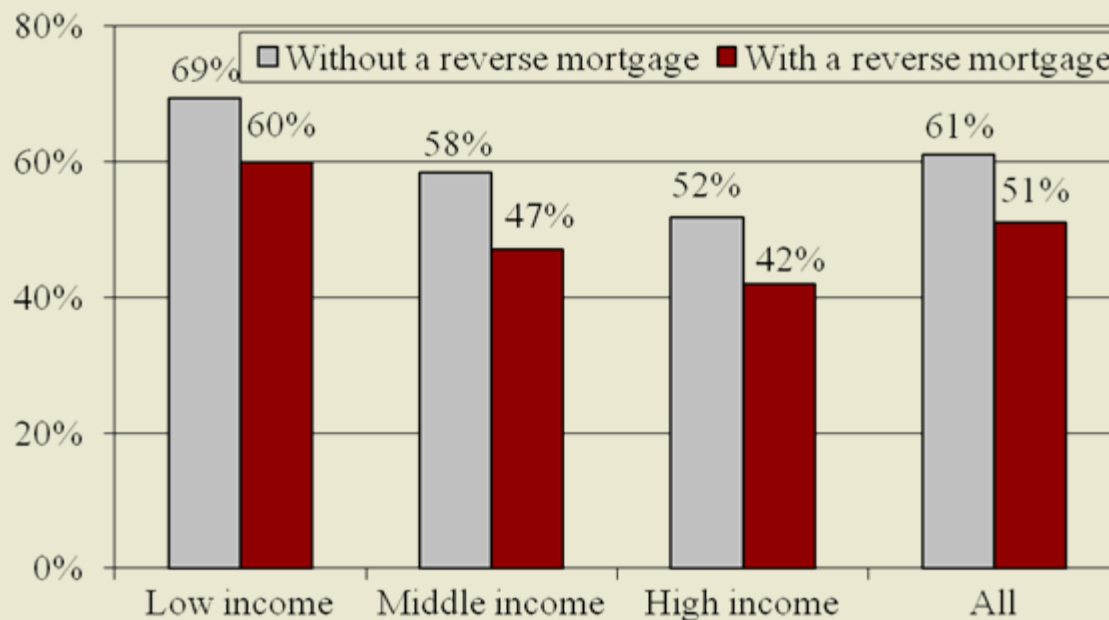
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Is a reverse mortgage right for everyone?

May not be right for households who:

- have adequate retirement income.
- plan to sell in the near future.
- use the house as self-insurance against medical and long-term care costs.

But is it right for more than 2 percent of retirees? I think so!