

# Buying a home without sacrificing your retirement plans

## SMART MOVES

Though the economy seems to slowly lurching toward recovery, many who want to buy a better home are still fearful about the future of real estate. But while some view the situation with apprehension, others see it opportunistically.

"There are folks out there saying, 'Finally I can afford to buy the house I've always wanted,'" says Spencer Sherman, the CEO of a financial advisory firm and author of "The Cure for Money Madness."

Among those planning to buy a home in the current market are people in their 50s and 60s who've finally paid off their children's last college tuition bills and may want to trade up to something more commodious.

Sherman cautions that those approaching retirement should ensure they'll have sufficient resources beyond the cost of their

new home to keep up their retirement savings contributions.

How can clients over 50 decide if they can afford to buy a better home without sacrificing their retirement future? Personal finance specialists provide these pointers:

- **Do an analysis of your financial situation.**

In the past, people made home-buying decisions in isolation, without first analyzing how their mortgage payments would fit in with

a comprehensive financial plan. But moving forward without a holistic examination of your finances could result in serious missteps, according to Sherman.

If you choose to develop a broad plan with the help of a financial adviser, look for a planner willing to work within a limited timeframe and to accept payment on an hourly basis, says Eric Tyson, author of "Personal Finance for Dummies."

One way to find such an adviser in your area is to go through the Garrett Planning Network ([www.garrettplanningnetwork.com](http://www.garrettplanningnetwork.com)).

In searching for a planner, Tyson says it's also wise to select someone who is compensated on a "fee-only" basis, meaning he or she doesn't receive commissions by selling you stocks, bonds or insurance products.

- **Save money on advisory services by doing preparatory work yourself.**

One fundamental step toward the creation of a solid financial plan involves an analysis of your spending patterns. You need to know how much it's now costing you to live, both in terms of mandatory expenses (like health insurance premiums) and discretionary outlays (like restaurant tabs).

Unless you routinely track these statistics (whether with a ledger book, online banking or a specialized personal finance management tool, such as Quicken), assembling this information can be time-consuming. To avoid paying an adviser to assist with this

grunt work, he suggests you pull out your checkbook and credit card statements and tabulate the numbers before arriving at your planner's office.

- **Take a conservative approach when estimating home appreciation.**

Although he believes that many who buy a home at a bargain price in the current market will eventually gain appreciation on that property, Sherman argues against real estate as the primary centerpiece of a retirement plan, no matter how inexpensively it's acquired.

Once real estate markets fully recover — as they're starting to do in many areas — Sherman projects that residential values will rise again very gradually.

"In the future, they'll probably plod along just a few percentage points ahead of the rate of inflation," he says.

Sherman says few can expect to make a profit on a home they purchase in 2009 unless they expect to hold the place for at least five to seven years.

"Also, make sure you take into account all your home maintenance costs when considering a home purchase as an investment," he says.

- **Factor in your personal preferences and plans.**

Those wishing to make a move-up home purchase without sacrificing their future plans need to take into account their personal expectations for a satisfying retirement, says Darrell Kingsland, a 30-year veteran of the financial planning field.

He recommends a few



books for potential buyers, including, "How to Retire Happy, Wild and Free," by Ernie Zelinski, and "Your Money or Your Life," by Joe Dominguez and Vicki Robin.

The relative cost of your future lifestyle could be a major factor in how much you can afford to pay for housing, Kingsland says.

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