MINNESOTA GOOD AGE

MAY 2015

ONE PROPERTY, TWO HOMES

PAGE 33

DOWNSIZING WITH IKEA

PAGE 30

+ ENGLAND ESCAPE!

PAGE 22

+ HOUSING RESOURCES

Page 36

FINANCE ////// SKIP JOHNSON

Paying off your mortgage before retirement?

Yes, you can do it (and should), but be savvy about when and how

Home is where the heart is, but hopefully not where the debt is. Fewer seniors today own their homes outright than in past decades, and that can put a strain on their budgets in retirement.

It won't be financially feasible for every family to pay off their mortgage before retirement, but I recommend my clients make it a priority: You'll end up with a more predictable budget and a huge peace-of-mind payoff.

A recent report by the Employee Benefit Research Institute found that home-related expenses have surpassed health care as the leading expense for older Americans. Before making your decision, however, consider the following factors:

TAX BENEFITS

Some people argue against paying off mortgages because of the tax benefits. Your mortgage interest is tax deductible, but many times the deduction doesn't make financial sense when you look at the big picture. This is especially true as you get to the end of your home loan and you're paying less toward interest and more toward principal. I suggest talking with a financial professional to help determine what the actual tax benefit is for your particular situation.

CONSUMER CREDIT

Take a look at your overall debt and the interest you're paying. Any debts with interest rates higher than your mortgage, like credit cards and auto loans, should be paid off first.

PAYING WITH INVESTMENTS

Everyone's situation is different, but generally, withdrawing money from your retirement investments to pay down a mortgage doesn't deliver the benefits you might expect. You need to factor in how much you'll end up paying in taxes, because it can really add up.

USING EMERGENCY SAVINGS

Just don't do it! An emergency savings account is just that — for emergencies. Using that money can put you in a dangerous position. If you don't have an emergency fund, you risk the chance of running up credit-card debt to pay for any unexpected expenses, like a medical bill or a home or auto repair. I recommend to my clients to have three to six months of living expenses saved to cover emergencies.

REFINANCING

This is another area where you really must weigh the pros and cons. If you've paid off more than half of your mortgage, it's important to look at the interest you're paying. Refinancing your mortgage debt may not make financial sense if a substantial portion of your monthly payment is going toward your principal.

If paying off your mortgage is a priority, I recommend taking a hard look at your budget and finding areas where you can cut. Take that money and put extra payments on the mortgage principal on a regular basis.

Consider this: Paying your mortgage off by the day you retire isn't your only option. For some of my clients, their goal is to eliminate mortgage debt five or 10 years into retirement.

Some of them work part-time and contribute that money to paying down the mortgage. Once it's paid off, they can transition into a full retirement.

Skip Johnson is a partner at Great Waters Financial in New Hope, Minn. Learn more at mygreatwaters.com.

> “As with most financial decisions, you should look at your entire financial picture before deciding whether paying off your mortgage will be your top priority.