



Avoid risk, pay off mortgage before retirement

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Q: I saw your excellent article on how much it costs to own a house after the mortgage is paid off. The costs remain in perpetuity!

Is it always a good idea to pay off a mortgage, though? A house "free and clear" means a large asset that provides no financial opportunity to the owners.

Wouldn't a better option be to mortgage the property before retirement at the best possible terms, which may be the longest term with the highest loan-to-value rate at the

lowest interest rate possible?

You could then budget the monthly payment into the ongoing retirement costs, and the retiree has potential tax advantages, but also, most importantly, has extra money every month. Living expenses are forever, too, and where else can the retiree borrow money at 3 percent? I think it's only by mortgaging the property before retiring.

Your thoughts would be welcome.

A: Thanks for your comment. We get your point. House payments and retirement living costs do last forever, and it would seem

to make a whole lot of sense to just take out the biggest mortgage you can afford at 3 percent interest and then pay it off over the next 30 years while in retirement. Which, if you can afford the monthly payments, and are not going to be putting your house at risk, is probably an interesting idea.

But there are many ways for this to go wrong, and the results could be devastating. Imagine those seniors who undergo dramatic financial changes in retirement, and who perhaps will lose an income or a salary when their spouse or partner dies; or if they get divorced, so their income is

dramatically reduced. Or, think about those who get sick and whose ongoing living expenses will change if one of them has to go into a nursing home. And, then there are those people who, once they are sitting on a big pot of money, decide to spend it rather than budget that money or invest it wisely.

In each of those cases, and we can imagine another half dozen with similar results, then putting your house at risk suddenly doesn't look like that good an idea. Because then you'd be under pressure to sell your home, just when you don't want to. So, we stand

by our advice that for the vast majority of people it's a lot smarter to get your house paid off by the time you retire, so you don't have the financial pressure of paying even a tiny mortgage at 3 percent interest.

(Ilyce Glink is the creator of an 18-part webinar+ebook series called "The Intentional Investor: How to be wildly successful in real estate," as well as the author of many books on real estate. She also hosts the "Real Estate Minute," on her YouTube channel. Samuel J. Tamkin is a Chicago-based real estate attorney. Contact Ilyce and Sam through her website, ThinkGlink.com.)