

Evaluating Your Personal Financial Resources

Can you afford to move to a senior living community? Like most of us, you probably worry about finances. Let us assume that you own a home that is completely paid for. What does it really cost you to maintain? It may be your single largest asset, yet there are still costs involved. Write down each cost below:

Your annual property taxes	\$ _____
Your annual homeowners' insurance policy	\$ _____
Your annual utility costs for heat and air conditioning, light, water, and trash pick-up	\$ _____
Your annual maintenance costs for upkeep	\$ _____
Estimate major annual replacement costs you may have in the near future, such as new roofing, replacement of furnace or air conditioner, septic system, etc. You could spread the costs over five years and divide what you anticipate the total will be by five to make an annual cost.	\$ _____
Total Annual Costs	\$ _____

Assume you decide to sell your home and invest the equity. As you know, rates of interest earned can vary depending on the amount of risk in which you place your invested equity. We will use a very conservative rate of 5% in this example and allow for a net rate of 4% after taxes.

Estimate the value of your home and what it could sell for if you were to sell it today. \$ _____

Multiply your home's value by 4% which would be the interest you could earn on the equity if it were conservatively invested and you paid taxes on the interest you earned only.

Home Value + \$ _____ x .04 = \$ _____

Now add your annual household expenses to the interest figure above:

Home Value Interest	\$ _____
Total Annual Costs	\$ _____
Total Available	\$ _____

The last amount above, Total Available, is the amount of money you would have annually if you decided to sell your home and move into a senior living community. And, your principal would remain untouched. The chances are good you can find a retirement community where the annual household expenses plus interest would pay for the annual rents or fees.