

A Retiring Idea

Goal: Growing your business.

Problem: Providing actionable ideas to retired clients. One such client grumbles: "How do I stay ahead of inflation? I am on a fixed income, so I am conservative, and favor bonds. However, yields are so low."

Suggestion: If you focus on non-investment types of advice, you'll have ideas in all markets. Your services are specific to a client's situation, with the goal of increasing their net worth. You help with both investment and liability issues. Encouraging them to refinance a mortgage is a good example on the liability side.

Conventional wisdom says to refinance if rates drop 1%. Sadly, many advisor-less people follow this bad advice. For retirees on a fixed income, who rely on Social Security and/or a pension, the problem is more acute. Defying convention, however, and refinancing for a lesser savings, may offer a great "investment" opportunity.

Result: Your business grows, as clients are happier and stay with you longer.

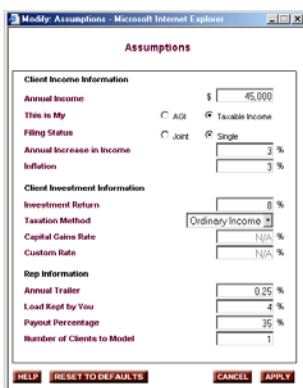
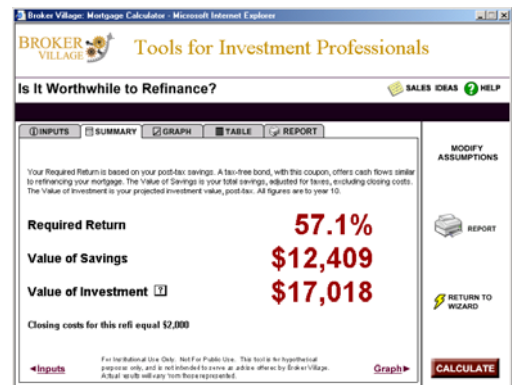
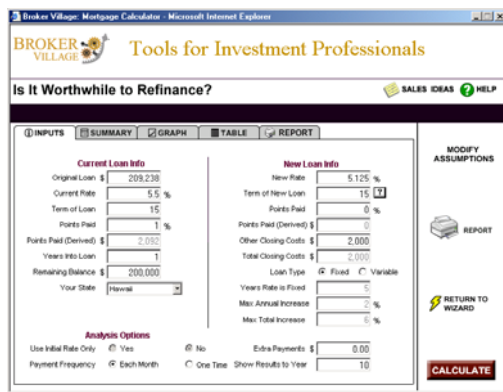
The calculator is easy to use. Data entry is fast and easy. Help files, wizards, and prompts guide you.

A 65 year old widow has \$45,000 in taxable income, mainly from Social Security & a pension. It rises with CPI. A \$209,238 mortgage balance was refi'd last year: 15 years, 5.5%, 1 point. \$200,000 is left. You suggest a 5-1/8%, 0 point refi. So the loans have the same payoff date, an extra payment is made after 10 years. Excluding pre-paid interest and taxes (which she escrows already), closing costs are \$2,000.

Print & graph results. She saves \$1,113 post tax in year 1 and \$12,409 by year 10. \$2,000 was "invested" to close and not recouped. That cash flow is like the flows (on a discount basis) of a 57% tax-free muni.

She has \$17,018 by investing the annual savings at 8% for 10 years, cashes out, & pays taxes. If she pays down the loan balance by \$10,732, she nets \$6,286. New and old loans then have the same payoff date.

Thanks to you, her income is up, her home equity is the same, and she pockets \$6,286!



For Entries Above

- Both loans are 5-year fixed
- Current loan is 1 year old
- No extra payments made
- Results through year 10

For Entries to Left

- Taxable income of \$45,000 rises 3%/yr, same as CPI
- 3% inflation (CPI) affects tax brackets and calculations
- Single filer in Hawaii
- 8% earnings taxed normally

