BROKER VILLAGE

A Division of Black Cat Decisions, LLC

Sales Idea

A Refi Boosts a Retiree's Income

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.

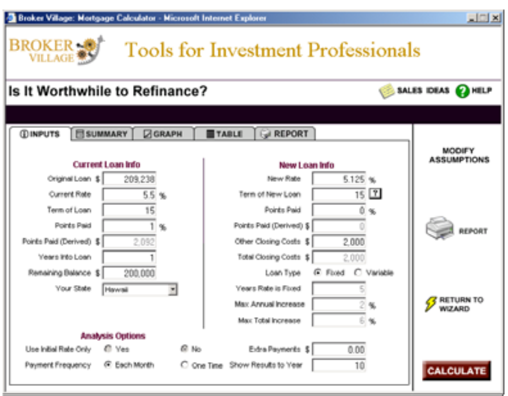
Conventional wisdom says to refinance if rates drop 1%. Sadly, many advisor-less people follow this bad advice. For retirees on a fixed income, who rely on Social Security and/or a pension, the problem is more acute. Defying convention, however, and refinancing for a lesser savings, may offer a great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

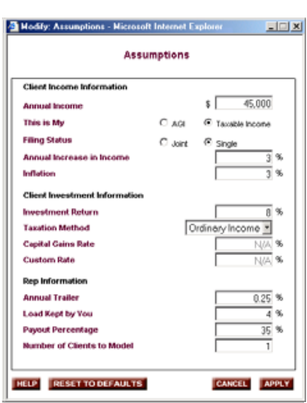
Result: Your business grows, as clients are happier and stay with you longer.

****

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.





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

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!