

# **IT'S YOUR HOME, NOT A BANK**

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This past month we were alerted to some sobering, but expected news from the Center for Retirement Research at Boston College. Most homeowners are expecting to retire “on the house” using their home as their primary retirement vehicle. The study also notes at the same time these same individuals are reducing their equity by borrowing against their homes for vacations, flat screen televisions, and other “*necessary*” items. The study also concludes that most Americans hold the belief that the value of their homes will continue to rise unabated. (Where have I heard that before? Internet stocks maybe?) The fact is that many Americans have been heeding the dubious advice of the big bank loan sharks, and using their homes as a personal bank and credit card.

The study also echoes something that we have been warning about for some time, many Americans have stretched their home loans to the maximum to buy homes they really can't afford, and things they really don't need. From home equity loans, adjustable rate and interest-only mortgages, more and more Americans are becoming enslaved by their own debt. Due to the current tightening cycle that the Federal Reserve has pursued many bearers of these “boutique” mortgages will be finding their monthly payments on a steep incline strapping their budgets and putting households on a hamster wheel of debt compounded by credit cards.

It is our belief that individuals should try not to include the value of their homes in their financial plan, and instead think of it as a bonus. It is the same tact we take with Social Security. The goal is to eliminate debt, and match ones liabilities with assets. By adding liabilities, meeting that goal much more difficult. I receive several calls a day from the loan sharks looking to sell me money, backed by my home equity. None of these individuals have your best interests at heart. In fact many of the top mortgage salesmen in the country were the top penny stock boiler room brokers from the 1990's that were thrown out of the business. Our advice, hang up the phone, pay down your house, and reach your ultimate goal of matching all your liabilities with assets.