

In Reverse

May, 2008

For homeowners 62+ and their families,
professionals, and senior service providers

Retirees at Greater Risk from Inflation

Social Security benefits continue to fall short year after year, putting retirees at greater risk from inflation while a disproportionate percentage of their income is spent on soaring medical costs. A record number of retirees are now turning to a reverse mortgage to supplement their income and stop pinching pennies.

In 2008, 48 million Americans age 65 and over who depend on Social Security received a Cost of Living Adjustment (COLA) increase of 2.3 percent or, on average, an extra \$24 per month.

According to the Congressional Budget Office, Social Security benefits are forecast to increase just 2.8 percent in 2009.

Retail prices are up 4 percent last year with a 5.7 percent rise in food, 5.5 percent increase in home energy, and a 35 percent jump in gasoline.

Social Security is supposed to protect retirees, but according to a recent study by The Senior Citizens League, retirees have lost 40 percent of their buying power since the beginning of the decade.

Each year since 2000, retirees have received an increase in their Social Security benefits lower than the rate of inflation. Social Security benefits have increased by just 22 percent, while retiree expenses have risen by 71 percent.

Not only are Social Security benefits rapidly falling behind inflation, a recent survey by the Kaiser Family Foundation found those age 65 and older spend five times more on healthcare than younger adults.

Medical services have risen by 5.7 percent a year, hospital services by 8.5 percent, and home healthcare and nursing-home fees by 4.5 percent.

Medicare Part B premiums have soared by more than 93 percent since 2001, leaving many retirees to cover the rising cost of doctor's visits, tests, and outpatient hospital care.

This squeeze on retirement income is putting many at risk of depleting their savings, delaying necessary home repairs or medical treatments, or cutting back on food and prescriptions.

To offset lost income and provide greater financial security, a record number of retirees are taking advantage of a government-insured reverse mortgage.

A reverse mortgage enables homeowners 62 and older to borrow against their home with no repay-

ment required for as long as they live in their home. Credit and income are not used in qualifying for the reverse mortgage, and closing costs are financed, so there is usually no money out of pocket. Plus, a reverse mortgage does not affect Social Security or Medicare Benefits.

Reverse mortgages provide the flexibility to customize the way funds are received to best meet individual needs. This includes a lump sum, a line of credit, monthly payments, or a combination of two or more of these options. This makes it possible to supplement monthly retirement income while using the line of credit for emergencies.

"Many of the retirees who contact us have a mortgage and high credit card payments that are putting their home and future at risk." Robert J. Petrelli, President and Reverse Mortgage Advisor at Mount Vernon Mortgage Corporation, said. "If a reverse mortgage is right for them, they can use it to pay off their existing mortgage and other debts. Reducing or even eliminating these monthly payments frees our clients from the stress they have been living with each month and they are able to afford important things they may have been putting off or simply improve their quality of life."

Advocacy groups for the elderly are lobbying to change the index used to determine adjustments to Social Security benefits to the Consumer Price Index (CPI) for Elderly Consumers or CPI-E. Two bills introduced in the current Congress (H.R. 1953 and H.R. 2032), if passed, could mean tens of thousands more for retirement years.

To learn more about Reverse Mortgages, Mount Vernon Mortgage Corporation provides a free informational booklet and confidential needs assessment by calling toll free at 800-869-5882 or by visiting their website at www.MtVernonMortgage.com/Reverse.



MOUNT VERNON
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Committed to helping senior homeowners
achieve financial security.

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