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# Don't count on house for retirement cash

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Maybe it's time to think of a house as a home and not necessarily the silver bullet to finance your golden years.

For a while, some retirement experts had suggested that baby boomers might raise cash for retirement by selling their homes and moving to a smaller house or lower-cost area.

But the reality is that we're not always looking at easy money -- and that has to be more than obvious in Michigan as folks pack it up and retire from Ford Motor Co., General Motors Corp., the Chrysler Group and other auto-related companies.

**Think about the slump**
Home sales have slumped for more than a year in Michigan. Prices for existing homes were down 7.4% in metro Detroit in the last three months of 2006, compared with the same time in 2005.

Easy cash? Not now.

David Kudla, chief executive for Mainstay Capital Management in Grand Blanc, said he has clients who have retired from auto companies, already moved to Florida or elsewhere -- and still refuse to put their homes in Michigan up for sale.

"They want to wait until the market comes around," he said.

When will housing turn around?

"The Michigan real estate market won't hit bottom until the Michigan job situation hits bottom. They're completely tied to one another," said Bob Walters, chief economist for Rock Financial in Livonia.

It could be a long wait.

**Not easy to unload**
Many savers could be relying too heavily on their home equity for retirement, according to a new report by the Fidelity Research Institute.

More than 80% of Americans older than 65 own homes, including vacation homes, worth a total of $3.95 trillion. Roughly 30% of the group's total wealth is tied up in housing.

"This is a significant asset for most Americans," said Guy Patton, executive director for the Fidelity Research Institute.

It is not a simple asset to unload.

Some retirees find it too emotionally draining to sell the family home. Others risk selling property during a slump. And downsizing does not always generate as much money as one might hope.

"Our point is you shouldn't be thinking of real estate as a primary source of income in retirement," said Van Harlow, managing director of research for the Fidelity Research Institute in Boston.

Consider a 62-year-old couple with a home worth $400,000. They have no mortgage on that house.

How much extra income could they pick up if they sold the house?

Would you imagine roughly $5,000 or $6,000 a year? Or $400 to $500 a month?

The Fidelity research report estimated that the couple could sell the house and buy a smaller one for $300,000 in the same general area.

After costs, the couple would have about $77,000 to invest in an inflation-adjusted lifetime annuity. They could generate $4,830 a year, including $3,050 from the annuity and about $1,780 in lower taxes, maintenance and insurance on a less-expensive home. This assumes the couple would live to age 94.

It might be possible to generate more income but not a lot more.

Bob Bilkie, president of Sigma Investment Counselors Inc. in Southfield, said he'd estimate that an investor could opt to put the $77,000 into a 30-year U.S. Treasury at 5% and pick up closer to $3,850 a year. At the end of 30 years, the investor would still have that extra $77,000.

Another concern: Some Michigan homeowners might not save much in property taxes -- and they could even face a higher property tax bill -- if they sold a home that they've lived in for 10 or 15 years and then bought another house in Michigan at a somewhat smaller price tag. That's because the cap under Proposal A would be lifted when you bought the other house.

Bilkie said he's had clients who have downsized with their homes in retirement -- including a client who sold an $800,000 home in Grosse Pointe and bought a $250,000 condo in St. Clair Shores.

He estimates that such a switch could generate about $30,000 a year in income.

"For some people, it does work," Bilkie said.

These days, retirees in Michigan must realize that selling the house could take longer and generate less money than a few years ago.

Bilkie shares his own experience. In 2005, a year before he put his Plymouth home on the market, a smaller house on the same block sold for $400,000 in one weekend.

Bilkie put his larger home on the market in the spring of 2006. It was priced at $429,000. It sold for $370,000. The deal closed in November.

"It may take a lot longer to sell than what you had thought -- did me," he said.

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