Moving forward without moving out

Accessing your home equity can help boost your retirement income, ease pressure on your pensions and investments, and help you stay put.

IN A RECENT SURVEY of Canadian homeowners, only four in 10 respondents were confident they would have enough savings to maintain their lifestyle when they retire.[1] One reason may be that, for many, a significant portion of their wealth at retirement is tied up in their home. And selling their house to free up that money simply isn't what they want to do.

If that sounds like your situation, you may want to consider accessing the equity in your home to help boost your retirement income. One of the most common ways to do this is through a secured line of credit (also called a home equity line of credit). A secured line of credit lets you borrow what you need, when you need it, at a very favourable interest rate because your loan is secured, or guaranteed, by your home.

In addition to helping you stay in your home longer, there are other potential advantages. When you access your home equity:

- Your withdrawals are tax-free, unlike withdrawals from registered accounts such as Registered Retirement Savings Plans and Registered Retirement Income Funds
- You may be able to avoid cashing out other investments and locking in losses when markets are volatile
- You can ensure ready availability of funds to meet unexpected home or health care expenses
- You can reduce the cost of other debts by transferring those balances to the secured line of credit (if the interest rate is lower than your other loans)

Keep in mind that you may need to have enough cash flow from other sources to cover the monthly interest payments on the secured line of credit. To protect yourself and keep interest costs from becoming a burden, it's a good idea to put a cap on the amount you borrow – for example, 20 per cent of the value of your home.

Your home is an important asset that should figure in your overall retirement planning. Speak with your advisor to find out how well this approach fits your personal situation. And plan to enjoy your retirement knowing that reaching this milestone with less saved than you hoped for doesn't necessarily mean you need to sell the home you love. ■

[1] 2016 Manulife Bank Homeowner Debt Survey, www.manulifebank.ca/debtresearch. The Manulife Bank of Canada poll surveyed 2,373 Canadian homeowners in all provinces between the ages of 20 and 59 with household income of more than $50,000. The survey was conducted online by Research House between February 3 and February 20, 2016. National results were weighted by province, income and age.