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Debt Relief Strategies for Seniors

More and more of our clients who are retired thought that they had planned well for the future only to find that rising medical costs, shrinking investment portfolios and other factors have caused them to incur debt. "USA Today" recently reported that more seniors are in debt than ever before. Most live on fixed incomes and have no way to pay off debt such as credit cards and home equity loans. Sometimes the debt is incurred to cover deficits in the household budget. In order to meet their financial obligations, seniors sometimes skimp on food or decline to take medications. They pare down their lifestyles, pinch pennies and still don't make ends meet. Most have worked hard all their lives and managed their debt. They didn't anticipate the most recent recession, the rising costs of health care and prescription drugs, or the possibility that they might outlive their savings. The good news is that help is available for some of these individuals.

Reverse mortgages - A Home Equity Conversion Mortgage (HECM), or reverse mortgage, provides seniors with an opportunity to tap into their equity interest in their home without the obligation of repaying the loan in monthly installments. Instead, the cash flow is reversed and the senior receives payments from the bank, hence the title "reverse mortgage." A reverse mortgage may provide a solution for seniors who have owned their homes for a long time and are "house rich but cash poor."

Life settlements - Life insurance policies that have cash value can be sold under the right circumstances. Often, the sales price is significantly greater than the cash surrender value. Even some term life insurance policies which contain the option to convert coverage to permanent life insurance will qualify for a life settlement.

Government Programs - Seniors should not overlook government programs which subsidize the purchase of food and housing, help with medical expenses and provide tax credits. For veterans there is free health care, inexpensive prescription drugs and disability income. Area agencies on aging offer individual counseling, legal help and advice.

For seniors living on a fixed income, dealing with debt can be an overwhelming burden. The advice of knowledgeable professionals can assist in easing this burden.