

# Building A Bridge To Retirement: Leaseback Arrangements

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Whether they want to get more sun, get closer to grandchildren or downsize their home to cash out some equity, Baby Boomers are moving more often during their first few years after retirement than did the previous generations of

retirees. The final year in the workforce can feel a lot like moving, as individuals run themselves ragged trying to make last-second arrangements, finalize budgets and journey into a yet-unexperienced phase of life. So retirees who are moving often have twice the stress, too. Leaseback arrangements, a staple of commercial real estate, have become far more popular as Boomers retire, allowing retirees to eliminate some of the stress and uncertainty involved in moving during retirement.



## How it works

A leaseback is a financial arrangement in which an individual sells their home with the understanding that they will immediately enter a lease agreement with the new homeowners so they can stay in the house for an agreed-upon amount of time. Leasebacks can work two ways for those nearing retirement. First, a retiree can sell the house in which they've been living and lease it from the new homeowner until they retire, or alternatively, retirees can buy the perfect retirement property as soon as it becomes available and lease it back to the previous homeowners until the retiree is ready to move in. Leaseback arrangements don't have to be complicated or intimidating, and they can provide security to both sides of a home sale.

## Benefits for home sellers

- Selling a home before retirement ensures retirees know exactly how much money they will get for their home. One of the scariest parts of retirement planning is the fear that something will go wrong. Knowing exactly how much money a soon-to-be-retired individual will get for their home can help provide some peace of mind.
- Leaseback arrangements let homeowners take a long time selling their home while having the confidence they can begin the process early without ending up without a place to live. The extra time ensures they don't have to jump at the first offer that comes along, and can wait for a good bid.
- With a traditional home sale, there is the potential that retirees won't sell their home in time and then end up with two monthly mortgage payments. A leaseback arrangement lets retirees sell their home first, guaranteeing they won't end up with two mortgages.
- Arranging a leaseback gives retirees cash in hand to improve their financial outlook. By selling their home and becoming renters for a year, retirees can reinvest their home equity

in the high-return parts of their portfolio, pay off high interest credit card debt or finance the business they plan to run in retirement.

- The cash from a leaseback also helps reduce the uncertainty of the first year, when most retirement calculators ask people to guesstimate their expenses. The first year of retirement is often the most expensive, as newly retired folks take celebratory vacations, buy hobby supplies or make COBRA payments while they await Medicare or Medigap eligibility.
- Leaseback arrangements can also help retirees who are too young for full Social Security or pension payments by giving them cash up front to hold them over until they can receive full benefits.

### **Benefits for homebuyers**

- While leaseback arrangements offer more benefits to sellers than they do to buyers, they still offer buyers some pretty big advantages. Most importantly, buying a home and leasing it back to the current residents ensures that retirees who can wait a little while to move in can get exactly the home they want.
- Nothing says that homeowners need to lease their home at the same price as the mortgage. By entering a leaseback agreement and waiting an agreed-upon amount of time, retirees can make a profit off of their retirement home while they wait!
- Leasebacks give those near retirement the ultimate bargaining chip when they're negotiating the sales price: By starting the process earlier and having more time to shop for a retirement home, those nearing retirement have the ability to walk away, helping ensure they get the best possible price.

### **Arranging a leaseback through MembersAlliance Credit Union**

Arranging a leaseback is actually quite simple and only involves two steps, one of which you've done before. First, arrange a home loan like you would for any other residential property. You can learn about our home loans here: <http://bit.ly/1BJiTgN> ,or if you already know what you want, you can start here: <http://bit.ly/1Jg9n7q>

Then, talk to your realtor about a leaseback arrangement. Many realtors offer temporary leaseback agreements as a standard part of a sale, so even if they haven't arranged a long-term leaseback before, it should be a piece of cake.

### **Sources**

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