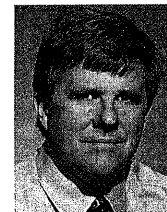


# Seniors Turning to Life Policies for Needed Cash



Steve Shorrock

By Steve Shorrock, ChFC, CLTC, FLMI

**M**ost senior citizens say they are either postponing retirement or planning to return to work because of the economic crisis, according to a survey by Golden Gateway Financial.

In a recent poll of 800 homeowners over the age of 65, 31% said they are staying on the job longer due to their shrinking retirement funds, while another 22% plan to return to the workforce.

"Older Americans are aggressively searching for ways to gain control over and offset losses that might be near to impossible to recover in their lifetimes," said Eric Bachman, founder and CEO of Golden Gateway. "This is a generation that has seen and heard it all, and now we are asking them to find new answers to seemingly crippling situations."

But seniors looking for work may have a hard time landing a job. Employers this year are shedding jobs -- more last year than at any other time since 1974. And older employees may not have the most up-to-date skills that companies need.

Sixty-one percent of those surveyed said that they are very concerned that markets may not recover enough to sustain their retirements. A majority (54%) say this is the most severe economic crisis the nation has faced in their lifetimes, which is really saying something, considering that some seniors were born before or during the Great Depression.

The biggest challenge facing most retirees is a lack of time to offset their investment losses as they do not have years to bounce back. The fact that seniors are either staying in the workforce longer or returning to it is evident in employment statistics, which show a massive increase in workers over 65, even as employment for almost all other age groups has dropped.

As of November 2008, there were more than 6.15 million workers over 65, a 46% increase since November of 2000 and a year-over-year increase of a whopping 6%. Meanwhile, overall employment has dropped 1.7% during those past 12 months.

Seniors are also liquefying hard assets--usually their homes--to fund their retirements. About 80% of seniors own their own homes and 80% of those homeowners have paid off their mortgages in full, according to Bachman.

About 12% of those surveyed said they are actively borrowing against the value of their homes to make up for market losses. Some are taking out home equity loans, but this kind of borrowing in retirement can be perilous as seniors can find themselves unable to pay back these loans and wind up losing their homes.

Others are getting reverse mortgages, which let seniors take money out of their homes that doesn't have to be repaid until they die or the house is sold. Golden Gateway, which

is a reverse mortgage broker, says that the number of reverse mortgages in October, 2008, jumped 21% over the year before.

Seniors are also drumming up cash by selling their life insurance policies for more than their cash surrender values, according to Bachman, who adds that \$13 billion worth of life settlements were sold in 2007. As many people approach their 70s and beyond, life insurance sometimes makes up a disproportionate amount of their net worth.

Most life insurance policies have not lost value due to changes in the stock market, interest rates or the credit crunch. Unlike many other alternative assets, the return is definable and is not dependent on consumer appetite, which has contracted in this challenging economy.

Last year, we settled policies totaling \$370 million of Death Benefit, providing \$38 million to clients above Cash Surrender Value. In a sign of the times, many of these senior clients needed the cash now and many were still working. Others have used the proceeds to replenish their retirement assets.

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