

Financial *notes*

INSIGHTS TO ORCHESTRATE FINANCIAL INDEPENDENCE

FROM THE OFFICE OF DR. SCOTT STRATTON, CERTIFIED FINANCIAL PLANNER (TM)

Issue 12, Volume 2

May 2008



Dear Scott,

Welcome to the May edition of my monthly financial newsletter. On April 30, the Federal Reserve cut the federal funds rate by a quarter of a point to 2.00%. Between the rate cuts and the tax rebate checks that will be mailed starting this month, the federal government is providing tremendous stimulus to the national economy. Add to this the Presidential election and the Summer Olympics in China, and we are in for an eventful time over the next six months. What does this mean for your portfolio? Call me and we can discuss how to take advantage of today's economic environment.

Reverse Mortgages

Should retirees cash out their home equity?

As retirees age and spend their assets, if they haven't planned very effectively there may eventually come a day where their home is their largest financial asset. They can't qualify for a home equity loan, because they have no income to repay the loan. An alternative to selling is to tap into your home equity through a reverse mortgage.



To qualify for a reverse mortgage, you must own your home outright and be at least age 62. You don't have to pay back the loan until you move out of your home or pass away. You continue to own the house and can live there for the rest of your life without making any payments.

Over time, interest is added to your loan balance, which the bank will collect from the eventual sale of your house. If your home sells for more than the debt on the loan, the excess proceeds go to you or your heirs. With a reverse mortgage, the older you are, the more cash you can get from the lender. Loans are available from private banks as well as through the Federal Housing Administration's Home Equity Conversion Mortgage (HECM). An HECM loan often has lower costs because the FHA guarantees the lender will not lose money on your house, no matter how long you live. Homeowners

In This Issue

[Reverse Mortgages](#)

[Protest Your Property Tax](#)

[The COBRA loophole](#)



The best compliment you can give me is the referral of a friend or family member!

Scott Stratton, CFP(R)
phone: 214-276-0808
email: sstratton@foxcoinvest.com

THIS MONTH, SCOTT IS...

This month, my wife, Erin Hannigan, has a new CD! Many of you have heard Erin play as principal oboe of the Dallas Symphony. Her CD features recital music for the oboe and includes a couple of pieces written expressly for her. Copies

are required to meet with a HECM counselor to make sure they are educated about the implications of and alternatives to a reverse mortgage. Reverse mortgages have relatively high interest rates, currently around 9%. At these interest rates, HECM would allow a loan of only 22% of the home's value for a 65-year old, or 41% for a 75-year old. The appraised value of the home is capped by county, ranging from approximately \$200,160 to \$362,790. It's good to know about all your options, but a reverse mortgage is awfully expensive. It should be an option of last resort, and you should seriously consider if you would be better off selling your house, investing the proceeds, and renting an apartment.

of her CD will be available at the Dallas Symphony store located next to the ticket window at the Myerson Symphony Center, or online at [Crystal Records](#).



Protest Your Property Tax

The deadline for protesting your property tax appraisal for 2008 is June 2. Given the high taxes here, protesting your taxes may be worth your time if you feel that the appraisal is too high or that your property is valued unequally with other property in the Appraisal District. If home prices in your neighborhood have declined this year, this can be a good opportunity to make sure your appraisal is accurate and fair. For full instructions, please see:

[Dallas County Appraisal District](#)

[Collin County Appraisal District](#)

[Tarrant County Appraisal District](#)

[Denton County Appraisal District](#)

The COBRA Loophole

When you leave a job, the employer is required to offer you the opportunity to continue your health insurance for 18 months by using COBRA. Under COBRA, you continue to be part of a group plan, but you become responsible for paying the insurance premiums. Many



people are very surprised to learn how much their health insurance costs when they have to pay for it themselves. Employers with 20 or more employees must offer COBRA.

If you are between jobs, there is a loophole in the COBRA requirements which can save you a lot of money before you begin coverage with a new policy or employer. When you leave your job, your employer will send you a COBRA Qualifying Event letter. You have 60 days from when this letter is postmarked to accept or decline COBRA coverage. Do not reply right away! On Day 59, send in your COBRA acceptance notice, retroactive to day 1. You

now have 45 days to send in your first payment. This gives you up to 105 days of coverage, and at the end of the 105 days, you can cancel the policy rather than paying any premiums. This gives you over three months of free coverage. You do need to make sure that you will have a new policy in place before the end of the loophole to make sure that you do not have a lapse in your coverage.

If you use the health insurance during the loophole period, you may have to pay the doctor's bill out of pocket and get reimbursed. The loophole is best for healthy individuals who need coverage "just in case". If you use the insurance at the end of the 105 day period, you will be required to pay for four months of premiums. The best use of the loophole is as a bridge between your old and new policies.

Be careful about reading health books.

You may die of a misprint.

MARK TWAIN

As always, please feel free to call me anytime with any questions or concerns. I'm here to help! Thank you for your business.

Sincerely,

Scott Stratton, CFP(R)
16950 Dallas Parkway, suite 100
Dallas, TX 75248

Fox & Company Investments is a member of [FINRA](#) / [SIPC](#)

FOX COMPANY
INVESTMENTS



CERTIFIED FINANCIAL PLANNER®

CFP®

The certification marks above are owned by Certified Financial Planner Board of Standards Inc. and are awarded to individuals who successfully complete CFP Board's initial and ongoing certification requirements.

[Forward email](#)

✉ [SafeUnsubscribe®](#)

This email was sent to ss Stratton@foxcoinvest.com, by ss Stratton@foxcoinvest.com
[Update Profile/Email Address](#) | Instant removal with [SafeUnsubscribe™](#) | [Privacy Policy](#).

Email Marketing by



Fox & Company Corporate Office 800-899-3699 | 5080 North 40th Street, suite 103 | Phoenix | AZ | 85018