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THE BOCA BEACH REPORT

October 2014

*Privileged
information about
your real estate*

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This publication is not a solicitation but is an information service from this real estate office.

Retirees - Find The Hidden Wealth In A Home

There are retired people all over the country who are receiving a retirement income that is less than they would like. Many of these couples own a home that is free and clear of loans or nearly so. They often struggle along on a very small income when they literally have untapped wealth all around them in their home every day. There are ways of using this home equity for additional income monthly for life.

Parents Sell To Children

Here is a transaction that we heard about recently. It was a solution that a tax planner proposed for an older couple and their children.

The retired parents needed cash so the tax planner suggested that the children buy the parents’ home from them on an installment basis and then lease it back to them at fair market rent. The parent’s gain will probably be shel-

tered from tax by the \$500,000 exclusion for home-sale profits available to persons in the 1997 tax law.

The transaction can be structured so that the installment payment is higher than the rental payments the parents make, giving them extra cash income each month. The children can afford to funnel the extra money to the parents because of the possible tax benefits received from the property.

There is an extra bonus because the parents’ estate tax liability is cut because the house is removed from the estate.

Another suggested strategy had the parents giving the house in trust while retaining the right to live in it. This could be possibly done at a low gift-tax cost, and it removes the house and any future appreciation on it from the parents’ taxable estate. ➔

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Reverse Mortgages

The Federal National Mortgage Association, known as Fannie Mae, is now offering “reverse mortgages,” which enable senior citizen homeowners to convert the equity in their homes into income.

The “Home Keeper Mortgage” is available to over 80% of older Americans who own their home, according to a spokesman for Fannie Mae.

“With staying in one’s own home a major goal for older homeowners, the Home Keeper Mortgage can provide crucial funds for a senior who may wish to remain financially independent,” he added.

The reverse mortgage is an adjustable-rate loan that allows seniors to borrow against the value of their home. The amount available

depends on the number of borrowers, their ages and the value of their homes.

The funds are available for most personal financial needs, such as health care, home repair or a monthly income supplement. The difference between this and a traditional home equity loan is repayment would not be due until the borrower died, moved, sold the property or transferred title to another individual.

A borrower also could not be forced to sell or vacate the property to pay off the loan, even if the total of mortgage payments plus interest exceeded the value of the home.

If these types of ideas could fit your situation, be sure to discuss it with your own tax planner and attorney before taking any action. ❖

Trade-In For New Homes

When a homeowner wants to move to a new home but does not have the cash needed to make the purchase, a trade-in agreement can help to use the equity in his present home to provide a down payment. The other party in the trade (usually a builder) takes the homeowner’s property as an aid to selling the home.

The real estate recession is winding down. There are builders of homes in tracts for sale on speculation now in some parts of the country. They must be a little more creative in their thinking about selling the “product” for sale than a homeowner who has just one home for sale at one time.

When we think about a trade-in, the automobile comes to mind. Everyone is familiar with the transaction. Keep that in mind, for the trade of a home is not too different.

There are three kinds of trade-in agreements—outright, contingent, and guaranteed.

The Outright Trade-In. With this agreement, the builder buys the homeowner’s

home outright. The homeowner now has the cash for the down payment on the new home. From the homeowner’s point of view, this is the closest to an exchange, since the sale of the old home and the purchase of the new home are completed at the same time.

Builders may make use of the outright trade when they are prepared to carry an inventory of houses and are familiar with the financial arrangements that have to be made.

The Contingent Trade-In. This works like the combination of an option agreement on the old home and a conditional sale of the new one. Both of the contracts of sale are executed at the same time, but the contract for the sale of the new house is conditioned upon resale of the old house within a designated period, such as **90** days. If no resale can be made by the builder before the end of that period, both of the contracts are canceled. This transaction requires no capital investment by the builder, and requires that both parties be willing to tie up the properties for the option period. The builder might limit his obligation to keep the property available by a provision that the conditional contract can be



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terminated at any time with a **10** day notice.

The contingent trade-in can be a good tool for a builder who has a number of unsold new houses in his inventory.

The Guaranteed Trade-In. This may be the most used trade-in arrangement, since it combines the best features of the other two. The builder has a limited time to sell the present home at an agreed-upon price. If he sells within that time, the homeowner receives the entire price the builder received.

If the house is not sold, the builder buys the house at the agreed-upon price which is somewhat lower than what a third party might be willing to pay.

With this plan, the homeowner is assured of a minimum price for the old home by the time that he must take title to the new one. The builder only assumes a conditional obligation, which, in most cases, he will not be called upon to fulfill. ❖

Should You “Improve Or Move”

You are outgrowing the home. You need a real office instead of the kitchen table. The kids are fighting it out over closet space.

Is there a solution? Should you improve the home or move to another?

When you answer four primary questions, it is a good place to start in the dilemma. If you are happy with the current neighborhood and school district (usually the top two priorities), answer the following:

1. How long did you originally intend to remain in the home?

If you might move, it makes no financial sense to pour money into a house when you are going to sell it. Also, if you have ever lived through a remodeling project, you know of the upheaval in your life during the construction.

If you are not thinking of moving, be sure to complete the thinking brought up in the following question before starting a project.

2. Can you recover the cost of improvements when you sell?

An appraiser or real estate agent can show you comparable properties (comps) of recent sales to determine how much, if any, the improvements will increase market value. Often, improvements do not add to market value. Do you want to go through the grief of remodeling, only to lose money?

3. Are improvements, if you make them, compatible with the surrounding homes?

Making expensive additions to a house that is old and old-fashioned makes little financial sense.

It is more difficult to recover the expense of home improvements if they are not similar in style and design to the existing home. Before starting anything, make sure you check the setback requirements for construction on rear and side lot lines. The local zoning laws may not allow the changes you want to make.

4. Could your changes over-improve the house?

There are some additions that aren't welcomed by certain buyers.

A swimming pool is an example. More people shy from it than are attracted. A remodeled master suite in a third-floor area might be undesirable if the prospective buyer was retired. If you look to the future – who will the next buyer be? Will anyone want the home after you have remodeled?

Certainly, asking yourself these questions you may not have all of the information to give you a final decision. But they will help to get you focused on solving your homeownership needs in an organized and cost-effective manner. ❖

Boca BEACHFRONT Availability

The following is a summary of the available and pending residences located on the East (BEACH) side of OCEAN Blvd. (A1A) in Boca Raton. 0.1% to 3.9% is Low Inventory * 4.0% to 6.9% is Balanced Inventory * 7.0% to 9.9% is High Inventory * 10.0% + is Excessive Inventory

North Beach

(North of Palmetto Park Road on North OCEAN Blvd. - Listed from North to South)

Address	Condo Name	TA	AA	%A	ADOM	Price Range	Average	PC
2150	Aegean	8	0	0.0%	0	SOLD OUT	N/A	0
2070	Athena	4	1	25.0%	363	3.2M	3.2M	0
2066	Ocean Reef Towers	55	1	1.8%	72	799K	799K	0
2000	Brighton	39	1	2.6%	47	1.4M	1.4M	0
S/T	North Beach	106	3	2.8%	161		1.800M	0

Boca Beach

(South of Palmetto Park Road to the Boca Inlet on South OCEAN Blvd. - Listed from North to South.)

Address	Condo Name	TA	AA	%A	ADOM	Price Range	Average	PC
250	Marbella	155	5	3.2%	222	650K to 1.3M	847K	1
310	Boca Mar	38	0	0.0%	0	SOLD OUT	N/A	1
350	Beresford	53	2	3.8%	96	1.0M to 1.0M	1.0M	0
400	Excelsior, The	27	3	11.1%	122	2.95M to 6.2M	4.117M	2
500&550	Chalfonte, The	378	9	2.3%	85	599K to 895K	719K	0
600	Sabal Shores	125	6	4.8%	187	499K to 1.15M	776K	1
700	Sabal Point	67	2	3.0%	130	519K to 725K	622K	1
750	Sabal Ridge	31	0	0.0%	0	SOLD OUT	N/A	0
800	Presidential Place	42	2	4.8%	34	4.195M to 4.95M	4.573M	1
1000	One Thousand Ocean	52	1	1.9%	18	4.495M	4.495M	1
S/T	Boca Beach	968	30	3.1%	130		1.487M	8

South Beach

(South of the Boca Inlet on South OCEAN Blvd. - Listed from North to South)

Address	Condo Name	TA	AA	%A	ADOM	Price Range	Average	PC
1180	Cloister del Mar	96	1	1.0%	259	475K	475K	0
1200	Cloister Beach	128	1	1.6%	97	389K	389K	0
1400&1500	Addison, The	169	6	3.6%	174	991K to 2.599M	1.639M	1
1800	Placide, The	54	1	1.9%	111	635K	635K	0
2000	Whitehall	164	1	0.6%	70	449K	449K	0
2494	Aragon, The	41	3	7.3%	278	2.295M to 3.45M	3,015M	0
2500	Luxuria, The	24	2	8.3%	27	5.495M to 5.7M	5.598M	0
2600	Stratford Arms	120	1	0.8%	67	795K	795K	2
2800	Whitehall South	256	7	2.7%	152	649K to 1.099M	858K	1
3000	3000 South	80	3	3.8%	183	520K to 1.099M	723K	1
S/T	South Beach	1132	26	2.3%	162		1.576M	5

Totals	Oct., 2014	2206	69	3.1%	124		1.319M	13
Totals	Oct., 2013	2206	68	3.1%	244		1.813M	13

Key:

TA = Total Number of Apartments in Development * **AA** = Number of Apartments Available For Sale
%A = Percent of Apartments in Development For Sale * **ADOM** = Average Number of Days on Market per Listing
PC = Number of Apartments SOLD and Pending Closing

This information is compiled from FlexMLS on September 23, 2014. This representation is based in whole or in part on data supplied by FlexMLS. FlexMLS does not guarantee or is not in any way responsible for its accuracy. Data maintained by FlexMLS may not reflect all real estate activity in the market.