



**ROSE**  
Financial Planning

## **HURTING FINANCIALLY? PROPERTY OWNER? READ ON!**

Several months ago I wrote an article entitled 'Tough times call for clear action' and only last month another on a similar subject entitled 'Survival is the word'.

This article has to be on the same theme as this matter is critical to many if not the majority of folk both residing here in Spain as well as elsewhere.

Consider the adverse developments in the last 12 months for Brits, in particular, living in Spain.

- 1) The demise of the £ against the Euro. A fall of 30% in just a year!
- 2) The decline in all major Stock Markets by 15 – 20%.
- 3) The decreasing value of property in Spain by circa 20%.

Not pretty reading at all!

So what can you do in the face of such financial pressure? Well, like all things in life, there are good and bad times and there is little doubt that this is a bad one. But, as sure as 'eggs are eggs' as the saying goes, things will get better, albeit over time.

And that is the key; time!

In other words, you have to look to today to survive for, in time, things will swing back in your favour.

Let us take the £/Euro exchange rate as an example. No one knows for sure, but it is a possibility (if not a probability) that the £ Sterling will strengthen again or (same effect) the Euro weaken. In time!

The Stock Markets, post the Recession and the effect of the 'Credit Crunch' will come back.

Ditto property values, albeit that this will take some years.

So we have to act today in the hope and probability that tomorrow, whenever that day falls, will see better times!

Now there is a positive asset that nearly all property owners have that they can use to rescue them from the financial pressures that all recent adverse developments with the exchange rate, etc have created ... and that is 'equity' or capital locked into the property that can be easily accessed.

Many home owners here in Spain have the classic financial make-up;

- i) Their income is from limited State and Private pensions. The exchange rate fall has decimated the 'real value' of this income and the effect is that spending has had to be curtailed.
- ii) Limited Savings and Investments for that 'rainy day'. Probably this has been wiped out over the last year.
- iii) They own their home here with no mortgage thereon.

But you see, and here lies the solution to most peoples immediate problems, why sit on say €200,000 of equity whilst you scrimp and save to survive?

Who are you doing that for, your kids, so that they can inherit the whole value of the property? Or for your pride?

If you ask your children (the eventual owners of such property upon the demise of the parents) would they expect their mum and dad to etch a living when that same equity, or at least a small part of it, can help the parents survive and greatly improve their lifestyle, what do you think the response would be?

It would be rare indeed, based upon my direct experience on this subject, for any child to take a selfish view on this and they would say that, if the solution was to draw down some of that capital, to release some cash from the property, then mum and dad should do it!

After all, many if not the majority of kids are going to be far better off come their own retirement than their parents!

Consider this scenario! The value of your property, as an example, 12 months ago was €250,000. Today, at best, it is worth €200,000. We want 'cash out' of €50,000 to allow for income supplementation for say 5 years.

In 5 years time, when we come to review circumstances, is it a fair assumption that the property value might have returned to that original value of €250,000? For, if that is so, the €50,000 that has been withdrawn is then nothing more than the perceived appreciation over that timescale. You have drawn and spent that increase.

You see, I know that a lot of people are considering selling and moving down market to achieve the same result; cash to live on. A cash release will achieve the same result but without disrupting your home (many do not really want to move but think that they have to) and you still have that upward appreciation on a larger, greater value home when it does occur. And can you sell easily

and quickly in this market without giving so much of the value of the home away to the purchaser? No!

Here's a real life story which highlights the issues involved. Some months ago I met some clients trying to address the financial pressures they were under. The wife wanted to return home more frequently to see the 3 kids and 7 grand children but they could not afford to. So, in addition to the financial strain, we had emotional pressure too.

They decided to sell their €300,000 home for €200,000 for a fast sale. They lost €100,000 whereas, if they had listed to my advice, a €50,000 release would have bought them some years of grace and still saved them a fortune. AND they would have still had their home under their control and for their eventual benefit. Not the purchaser!

If you are home owner, especially post age 60, and you are struggling to survive, look hard at yourself and ask the question as to why you should not make some of that property value work for you? And, if necessary, talk to your kids about it because I know they will not want you to continue in your pain!

And then call me!

See [www.rosefp.com](http://www.rosefp.com) or call 0034 677 874 948.