

Help Me Retire

I'm 67 and retired with \$57,000 left on my mortgage and \$600,000 saved for retirement — should I pay off my home now?

Last Updated: April 3, 2022 at 8:18 p.m. ET

First Published: April 1, 2022 at 10:43 a.m. ET

By [Alessandra Malito](#) [Follow](#)

Have a question about your own retirement savings? Email us at HelpMeRetire@marketwatch.com



MARKETWATCH PHOTO ILLUSTRATION/ISTOCKPHOTO



Listen to article
6 minutes

Dear MarketWatch,

I am 67 years old, single and retired at 66. After taxes, I receive \$3,100 per month from a pension. After taxes and my Part B Medicare payment, I receive \$2,100 per month from Social Security. I have approximately \$100,000 in mutual funds/savings accounts and \$500,000 in my 401(k) account.

I am able to live comfortably on the \$5,200 I receive monthly from my pension and Social Security barring anything catastrophic. My pension and SS meet my basic needs and expenses, so I do not plan to tap into my 401(k) account until I'm 72 and am required to do so. There is not much left over for anything "fun," however, as I have two adult children, one grandchild with one on the way, extra money tends to go in their direction.

My question. I own a home worth approximately \$275,000 and pay a monthly mortgage of \$800. I have \$57,000 remaining on the mortgage. I have a seven-year mortgage at 2.65% that I refinanced in 2020, so five years remaining. Should I pay off my house with what savings I have or continue paying a mortgage until I ultimately have to move to a house with no stairs.

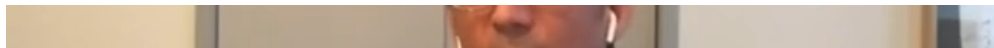
Thank you for any advice you may have.

See: [My wife and I are in our 50s with \\$300,000 in a 401\(k\) and \\$700,000 in a pension. Will we have enough to 'live a simple life' in retirement?](#)

NOW PLAYING:



Putting New Money to Work



00:09

00:55

[Visit our Video Center](#)

Dear reader,

This is an age-old question and I'm glad you asked it. Many other retirees wonder the same thing as you, and may be in similar financial circumstances where they're able to pay the bills and have money saved in their retirement accounts.

The answer often depends on your personal situation and feelings about debt. If you can handle the fact that you owe this money on your mortgage, then it's not bad to have it. Your interest rate is fantastic, you're capable of making the monthly payment from just your pension and Social Security without tapping into your 401(k) and you have so much of your home already paid off — all wins. Not everyone feels comfortable having any debt

or your home already paid off — all wins. Not everyone feels comfortable having any debt in retirement, even when it fits within their cash inflows, and those are the people that really need to weigh their options.

At the end of the day, you really don't want to drain your retirement accounts for a mortgage you're able to pay.

Get Smart About Your Money

Join MarketWatch on April 20 & 21 to learn how to make your big money dreams a reality and confidently take next steps in your career, life, and investing.

REGISTER NOW

MarketWatch
**MASTERING
YOUR MONEY
EVENT SERIES**

Another way to look at it — compare your fixed interest rate to what you can be earning on your portfolio. For example, you have \$500,000 in a 401(k), and depending on how it's invested, it will probably have a return rate higher than your mortgage rate, advisers said.

Check what your investments actually are though. Some retirees are invested too conservatively because they think they need to deplete all risk from their portfolios to preserve that money for retirement — while you may not want as much risk as a 25-year-old just starting their 401(k) with 40 years to go until retirement, you do want your assets to stretch the rest of your lifetime, which means there will need to be some risk. Talk to your adviser, and if you don't have one, contact your 401(k) administrator to help you make sense of what's happening in your account.

Want more actionable tips for your retirement savings journey? Read MarketWatch's ["Retirement Hacks"](#) column

Also, keep in mind you'd have to pay tax on your 401(k) distribution to pay off your mortgage, so you're withdrawing more than \$57,000. The more you take out, the less your account has to work with to grow over time.

"If she's able to cover the mortgage and other expenses from cash flow from pension and Social Security income then she should avoid taking that large taxable distribution," said Byrke Sestok, a certified financial planner of Rightirement.

Since you're not yet 72, you may also want to consider some conversions to a Roth IRA, Sestok said. Over time, moving some money from a taxable to a tax-free account could save you thousands of dollars in tax liabilities in the future. You would be paying the tax

on the current distribution, so you want to stay within a threshold that keeps you from bumping into a higher tax bracket — a financial adviser or professional accountant could help you make sense of that.

As I said before though, there's an emotional component to this question and it's not one to be ignored. While from a financial perspective, it makes sense to keep your mortgage and continue to pay it as is, you do need to be comfortable, said Paul Winter, a certified financial planner and founder of Five Seasons Financial Planning. If you're unable to sleep at night because you're thinking of this mortgage hanging over your head, that's not good

at night because you're thinking of this mortgage hanging over your head, that's not good either. "The optimal financial decision for an individual is not always the right decision for the person," said Susan Mitcheltree, a certified financial planner and partner and director of communications at Berman McAleer. "We are humans, so we need to balance both the finances and our emotions to determine the best course of action."

Also see: [I'm 60, a school bus driver and bartender with \\$165,000 saved for retirement and a spender mentality – 'is there any hope for me?'](#)

Still, you're in a good situation – and it's important to remember that.

"If she is comfortable (financially and emotionally) making the mortgage payment with her income, there's not much economic benefit to paying it off early," said Matt Stephens, a certified financial planner and founder of AdvicePoint. "It's a very low interest rate and her payments will mostly go to principal anyway since she's at the end of the loan."

You also don't know what the future holds. You may need to tap into your 401(k) for another, more urgent reason, and again, you also want that money to be there for you in your old age.

And as far as cash flow goes — ask yourself what you'd do with that extra \$800 you're currently using to pay your mortgage every month? Would that "found" money go toward extra spending, or would you be investing it?

"I urge clients to be very intentional about how to handle the money that is no longer needed for mortgage payments," said Jesse Sell, a certified financial planner and managing principal of Prevail Financial Partners. "It can easily result in increased lifestyle spending in situations such as the one you described."

Readers: Do you have suggestions for this reader? Add them in the comments below.

Have a question about your own retirement savings? Email us at HelpMeRetire@marketwatch.com



Millennials have solved the retirement crisis

More millennials own cryptocurrencies than own stocks, a new study says.



Alessandra Malito

Alessandra Malito is a retirement reporter based in New York. She is also a Chartered Financial Consultant. You can follow her on Twitter @malito_ali