

Retirement Asset Policy

Approved by the Board May 10, 2007

INTRODUCTION:

OPAL Community Land Trust wishes to recognize that people of retirement age in many instances rely on the income from their assets for their daily living. Since the ability to make contributions into an IRS designated retirement vehicle depends in large part on one's employer, people are often forced to use other vehicles to save for retirement and then find it more difficult to qualify for an OPAL home. In an effort to address these concerns, OPAL has revised the Retirement Asset Policy for people of retirement age as follows:

DEFINITIONS:

Personal Net Assets is the sum total of all assets including cash, savings and investments (both liquid and non-liquid) and **excludes** most automobiles, household furnishings, IRS designated retirement assets and business assets.

Personal Net Asset Limit = 80% of median income, adjusted for household size, plus the cost of the OPAL home being purchased by the homebuyer (including closing costs). In other words, a homebuyer could purchase an OPAL house outright and retain assets equivalent to 80% of area median income, adjusted for household size.

Retirement Age shall be five years prior to being eligible to receive payments from social security.

Asset-Income Conversion is a technique for estimating the amount of income a given asset could reasonably be expected to generate each year if it were invested conservatively.

Asset Conversion Rate is the assumed rate of return for the above asset investment. The rate shall be set at 6.50%.

Assets to be converted to income may not exceed OPAL's *Personal Net Asset Limit*.

Market Rate Home shall be the average (mean) of the ten lowest priced bank mortgage-eligible homes sold in the prior 12 months on Orcas Island as listed in the Multiple Listing Service. This number will be updated quarterly.

Retirement Asset Policy

If you are of *Retirement Age* and have *Net Personal Assets* in excess of OPAL's limit, you may use OPAL's *Asset Conversion Rate* to convert an amount equal to the *Net Personal Asset limit* of your non-retirement assets to income (see *Assets to be converted to income* above) and therefore **exclude** that portion of your assets from the *Net Personal Asset Limit* and **include** the converted income as part of your total income. Here's how it works:

1. Declare all of your assets, including retirement and non-retirement assets.

2. Declare all of your income, including any income produced by assets.
3. Determine asset value to convert to income: Take the lesser of (a) or (b):
 - a. The *Net Personal Asset Limit*, as defined above; or
 - b. The amount of assets above the *Net Personal Asset Limit* (#3a)
4. Determine income from converted assets:
 - a. If your assets DO NOT produce income, multiply #3 times 6.5% and add this to your annual income. This is your income for eligibility. Subtract #3 from your total assets; this is your asset figure for eligibility.

OR

- b. If your assets DO produce income, multiply #3 times 6.5%. Calculate the actual income produced by #3. The greater of these two figures is considered the income produced by the converted asset.
5. Determine total new income figure: Add the outcome of #4 to the actual income produced by the balance of your assets plus any other income you receive. This is your income for eligibility.
6. Determine new asset figure for eligibility: Subtract #3 from your total assets; this is your asset figure for eligibility.

If you remain over-income and/or over assets, you may still qualify for a limited pool of OPAL homes if your borrowing potential based upon your total income (3 above) plus your **unconverted** *Net Personal Assets* does not enable you to purchase a current *Market Rate Home* on Orcas Island. See Income and Asset Eligibility Policy for more information.

Retirement Age Household of	
1.	Retirement Assets = \$100,000
	Non-retirement Assets = <u>\$225,000</u>
	Total = \$325,000
2.	Annual Gross Income = \$24,000
3.	Asset Limit:
	OPAL House = \$160,000
	80% AMI = <u>\$42,150</u>
	Max Personal Asset = \$202,150
	b. \$225,000 - \$202,150 = Personal Assets Above Limit = \$22,850
4.	\$22,850 X 6.5% = \$1,485.25
5.	Annual Gross Income = \$24,000 + \$1,485.25 = \$25,485.25
6.	Income Eligible and now Personal Net Assets = \$202,150 = Eligible