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Low rates won't boost economy, help retirees

By Paul Wiseman
Associated Press

The Federal Reserve's plan to keep interest rates super low for at least two more years is great news for mortgage refinancers and other borrowers.

For retirees and others who need interest income? Not so great.

Nor will low rates likely revive a depressed home market, energize a weak economy or reassure frightened consumers.

"It's all about consumer psychology right now," said Stan Humphries, chief economist at Zillow.com. "During economic turmoil, people hunker down."

"Any information that provides some certainty is good for the economy and good for people who are trying to think longer-term about investments," said Frank Nothaft, chief economist at mortgage giant Freddie Mac.

But tantalizing mortgage

rates aren't luring many buyers into a broken housing market. Even as refinancings are soaring, home purchase applications have barely budged.

Potential buyers have plenty of reason to stay on the sidelines. Many can't buy because the home they live in is worth less than the mortgage they owe on it. Or they can't sell their house.

Since peaking in 2006, prices across the country have plunged nearly 24 percent to a median \$169,200. They're down 4 percent since the Great Recession officially ended more than two years ago.

Low rates are also squeezing retirees who typically keep most of their savings in safe but low-yielding certificates of deposit, money market funds or Treasuries.

Typically, investors would be advised at age 65 to keep at least 60 percent of their money in such safe investments.

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Technician MD H.D. Friedman, Jr. AUG 19 2011
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P.S. MY D.O.B. IS 12/22/1947 TRY PAYING FOR A.G.P.'S PROPOSED 31% RATE INCREASE, 25 PER MONTH FOR AULTONE MEDICAL INSURANCE ON \$974 PER MONTH SOCIAL SECURITY BENEFITS, PLUS FOR THE ITEMS I'VE WRITTEN ABOUT, ABOVE, CAR MAINTENANCE, FOOD, CLOTHING, ETC., ON ALMOST 0% INTEREST IN THE BANK. EVEN FOR ONE PERSON, NOT MARRIED, WITH NO DEPENDENTS, WHO DOESN'T USE TOBACCO OR ALCOHOL, IT'S VERY, VERY HARD TO DO. AND INSIDE, MY 47 1/2 YR OLD HOME NEEDS A LOT OF UPDATED MAINTENANCE, SUCH AS CARPETING, BATHROOM LINOLEUM, ETC. SEEING I'M BELIEVING!