

'Money \$ense': Downsizing in retirement

By Marc Hebert
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Maybe you have reached your retirement years and decided your home is a bit large and doesn't meet your needs. It's time to consider downsizing!

Leaving your home might feel like a daunting task – there are years of possessions to go through. It can be emotional revisiting the memories attached to each as well as the home. And moving is stressful at any age. Talking the potential move over with your family might help add some clarity. Make sure your spouse is on board with the plan.



In spite of this, downsizing could be the move your retirement finances need. Here are just a few considerations before starting the process.

- As in anything financial, setting a goal is the first step. What do you want to accomplish with the downsizing? It can vary. Some might want to be rid of a mortgage payment. Others just want to reduce expenses. Others may want to be closer to family. The loss of a spouse or decline in health may be the case. Whatever the goal, having clarity on why you're moving helps link to the how and the completion of the process.
- It is good to review your timing. If you would be moving before or early in retirement, the benefit to downsizing could be no mortgage payments and reduced expenses. This assumes you are looking for a less expensive residence. If the cash from the sale of the bigger home is enough, you might be able to pay for the smaller house outright. With less cash devoted to housing, there is more cash for retirement actives you have dreamed of. Be careful though, poor planning (like moving to a smaller home in a more expensive area) can eat up any savings you might be counting on.

- The ability to successfully navigate downsizing is somewhat dependent on the real estate market. If the market is not favorable, it might make sense to wait to sell. One plus to waiting until later in retirement is that you may have more perspective on just how much you will need from a home sale to support your lifestyle.
- When you are deciding how much you need to gain from downsizing, be sure to be realistic. How much is your current home worth? How much is the smaller home going to cost? What are the expenses of relocation? There are down payments, home inspections, closing costs, property taxes, and other expenses to factor in. A good real estate agent can help you with these questions.
- If the numbers don't quite work, you might consider renting a house or apartment for a while until the situation settles. This could be a big benefit – you can try out a neighborhood to see if it is right for you before committing to a home purchase.
- When downsizing, be sure to take your time going through your possessions. It might make sense to clear one room at a time. It might also make sense to ask your children to help. Perhaps there will be things your child would treasure and like to have.
- You may also have collectibles such as antiques, for example. If you don't want them, it might be worth the time to sell them. If you decide to go this route, consider having the items appraised. Selling things could add to your retirement nest egg.
- There are other items you might want to donate. Some charities would benefit from furniture or clothes that are in good condition. As an added benefit, some of these organizations may even pick the donations up!

Downsizing is a major life transition. Be sure to plan well in advance so you can set yourself up for the retirement you have always dreamed of.

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