

Should You Consider Downsizing Before Retirement?

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That's not a simple question to answer, as you balance the benefits of a lower cost of living with the realities of a soft real estate market and the emotional aspects of selling the family home



[Ron Adams](#)

Does this sound familiar? Your kids are grown and you are bona fide empty nesters, rattling around in your five-bed, four-bath home. Since it's not like you see the kids for overnight stays on a regular basis, what do you do with that extra space? You could rent out a room, but that proposition seems iffy at best. Really, who wants a stranger rummaging around in the refrigerator for a midnight snack?

The solution for many Baby Boomers who are 10 or fewer years away from retirement might be simple: Downsize, especially if you have considerable equity in your home.

LESS IS MORE

Moving into a smaller house can be beneficial to your bottom line in many ways. For one, a smaller home likely means smaller utility bills. It's much cheaper to air-condition and heat a two-bedroom patio home than a large house – especially if it has a second story or vaulted ceilings. (See a recent *Realtor.com* article, "[Downsizing into a Smaller Home.](#)")

But lower utility costs aren't the only saving opportunity. A smaller house generally means lower property taxes and insurance costs. Also, with the housing market still weak in huge swaths of the country and interest rates at all-time lows, your mortgage picture should look pretty favorable (that is, if you don't buy the new house outright).

With economists and financial planners in recent years warning of "[money death](#)" – i.e., retirees outliving their retirement benefits – going smaller can help you avoid this calamity as you reach your 70s and 80s. In downsizing, you might have to live on less than the industry advises, either because you haven't been willing or able to save, or because your retirement plans will never fully recover from the recent recession.

If you [delay applying for Social Security benefits](#) at age 62 and instead work longer, it will also help your bottom line when you do decide to kick back.

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DOUBLE-EDGED SWORD

As the *Wall Street Journal* reported in a December 2012 article ([“Everybody Says You Should Downsize: Everybody May Be Wrong”](#)), the soft real estate market is a double-edged sword.

Although it’s true you won’t likely pay a premium for a new house, it has probably occurred to you that you might have a hard time getting a good price for your current home. And if you want to live in a retirement hot spot, you can expect to pay more for than for a comparable home in your hometown.

Besides the economic considerations, there is the emotional side to take into account. Pulling up stakes and selling off most of your worldly possessions is easy in theory (“Do we really need that seashell?”), but actually going through with it is a much tougher proposition (“But we got it on our honeymoon”). Then there are your grown children to consider. They might resist your selling the house they grew up in, and often the kids are more emotionally attached to all that “stuff” than you are.

All things considered, downsizing can be a boon for some boomers, but it’s a lot easier if you’re on sound financial footing and have considered all of the relevant factors before taking that big step.

Adapted from the Daily Plan-It newsletter.

Hoopes, Adams & Alexander, PLC, is a Chandler, Arizona, law firm offering services to Phoenix-area clients in the areas of estate planning, entity formation, commercial and real estate transactions, and civil litigation.