

## **Boomers' unique spin on retirement housing**

*Discovering a freedom threshold and dispelling the downsizing myth*

By Mary Beth Franklin | February 25, 2015

Over the past 60-plus years, the massive baby boom generation has left its indelible mark on all aspects of the U.S. economy and culture. Now, as boomers enter retirement, a new study from [Merrill Lynch](#) and Age Wave suggests they have very definite views about the role their homes will play in their retirement plans — and they may surprise you.

“I think we're going to see more interesting and creative ways to live for a new generation of retirees,” predicted Ken Dychtwald, chief executive of Age Wave. “People will be able to dream up the life they want to live and the resources to live it.”

Thanks to the dual demographic trends of increased longevity and the aging of the massive boomer generation, households headed by people 65 and older will account for nearly all household growth over the next decade, according to the new report, “Home in Retirement: More Freedom, New Choices.”

Today's retirees have more freedom and options when choosing where and how they want to live in retirement, the study noted. Their decisions will have widespread implications for how homes might be designed, which services might be offered, and how communities will prepare for an aging population.

Freed from many work and family obligations of their younger years, people in their 50s and 60s cross what the study calls the “freedom threshold.” At age 61, the majority of people say they feel free to choose where they want to live regardless of their prior careers or where their children went to school.

But an empty nest is not necessarily a smaller nest. Although many people assume they will downsize their home when they retire, the study found that of the 4.2 million retirees who moved into a new home last year, only half bought smaller homes. Nearly a third of them bought a larger home in retirement.

Retirees say the top reason to upsize is to have a home that is large enough and comfortable enough for family member to visit and stay with them, particularly during holidays and summer vacations.

“It's an interesting juxtaposition,” said Gao-When Shao, director of retirement solutions at Merrill Lynch. “People hit their freedom threshold when they feel free to move to a place that is not dictated by past constraints of work and kids, but they want a bigger house to invite them back.”

Of course, not everyone relocates in retirement. But the ones who stay put are more likely to spend renovate their existing homes. In fact, households headed by a person age 55 or older account for nearly half of all spending on home renovations — about \$90 billion annually.

### **DON'T COUNT ON DOWNSIZING**

Note for financial advisers: don't count on your retired clients downsizing. You may want to add a home renovation line item to their retirement balance sheet.

While some renovate their home to make it more age friendly, most retirees tackled home improvements projects to make them more attractive, comfortable and versatile by adding home offices, sprucing up kitchens and baths and installing new technology such as smart thermostats and apps to control appliances.

Although the study paints a picture of new freedoms during much of retirement, health challenges and care needs can become a larger factor in where people choose to live as they age. During the second phase of retirement, which typically begins when people are in their 80s, health becomes an increasingly important factor.

Among prior generations, most retirees had only two options: live at home as long as they were healthy enough and move to a nursing home when they become too sick or frail to remain at home.

Today, however, there is a growing continuum of options for retirees facing health challenge, including assisted living communities, co-housing where retirees live together and providing support for one another, as well as the evolving “village” model through which older adults who live near each other form an organization with central access to services and resources that help them age in place.

### **ADVISERS' TAKEAWAY**

What's the take away for financial advisers? For many older people, their biggest asset is their home, and both its equity and emotional value should play a role when discussing their unique retirement plan.

“As financial advisers, you may not have all the answers, but you can provide a great service by being familiar with these topics and helping people to create a plan and to revisit it as needs change,” Age Wave's Mr. Dychtwald said.

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