



Why Some Seniors Are Upsizing in Retirement

Who says you need to buy a smaller house when you retire?

By Maryalene LaPonsie

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When it comes to logical things to do in retirement, downsizing seems like it should top the list. Especially with the kids gone and leaving empty rooms behind, trading in a big house for a condo or more manageable home may be a smart move.

However, not all seniors are buying into the idea that they need to downsize their living arrangements once they stop working. In fact, a 2014 Merrill Lynch survey of 3,638 adults, including 2,192 baby boomers, found that half of pre-retirees who expect to downsize in retirement don't do so. What's more, 30 percent of those surveyed actually moved into larger homes after they retired.

This trend is one of the unexpected ways seniors are approaching their golden years.

"Retirement isn't all about being practical," said Ken Dychtwald, founder and CEO of the consulting firm Age Wave, which partnered with Merrill Lynch on the survey, during a media briefing on the report last month. "More and more people are turning their empty nests into nurturing nests."

Why Upsize?

Joseph Middelburg of Golden, Colorado, is one senior who decided to double his living space after retirement. The 66-year-old Denver native had been living in Connecticut. After his late wife's death in 2001, Middelburg eventually remarried and, last year, decided to return to the Denver area.

Like the 70 percent of pre-retirees surveyed by Merrill Lynch and Age Wave, family was a crucial component in the Middelburgs' decision to upsize. One son was already studying at the University of Denver, and two other adult children were expected to settle nearby. While house shopping, Middelburg and his wife were not only looking for a home for themselves but also one that would accommodate their children.

“We wanted to have a place where we could have the kids over for holiday celebrations,” Middelburg says.

The right house ended up being situated on 1.5 acres and was double the size of their previous home in Connecticut. Only 10 minutes away from the Red Rocks Amphitheatre concert venue and with a lower level designed for entertaining young adults, Middleburg says his home has become a landing spot for both his son and his son’s friends.

The Crucial Role of Financial Planning

Middelburg credits his financial advisor with helping him make a smart choice when it came to upsizing and not draining his retirement funds.

“I didn’t know how much or how little I could take from my accounts each year without depleting them,” he says.

David Leland, Middelburg’s longtime financial advisor and the managing director of a Boston Merrill Lynch office, says he uses a process that walks clients through their priorities and how to fund them. This type of in-depth planning has becoming increasingly important in recent years, he adds.

“The old game plan was that you retire when you’re 65 and die when you’re 66,” he says. “Now I have clients who are 99 and 102.”

In Middelburg’s case, his money stretched because the cost of living is significantly cheaper in Denver. He was also able to get twice as much house for half the price of what he’d pay in Connecticut.

Making the Decision to Upsize

Merrill Lynch and Age Wave found the following reasons were the most common reasons seniors decided to upsize in retirement.

- Room for family members to visit: 33 percent
- Room for family members to move in: 20 percent
- More prestigious home: 19 percent
- More room for friends to visit: 16 percent

Brian Beasley, a financial services representative with MetLife Premier Client Group, cautions seniors to think carefully before moving into a bigger home solely to accommodate children.

As he puts it, what parents have in mind isn’t necessarily what their adult children want. For example, parents may envision children spending annual vacations with them, while their sons and daughters may prefer to vacation in different spots each year. Differing expectations is one

reason Beasley recommends retirees keep adult children in the loop about major decisions regarding their home, particularly when there may be other options that make more sense.

In addition to children, Beasley says financial advisors, attorneys and other professionals involved in retirement or estate planning should be brought into discussions regarding upsizing. He also recommends retirees perform a careful financial analysis before purchasing a bigger home. “We want to make sure their basic needs are protected,” he says.

While upsizing may not be for everyone, Middelburg says he wouldn’t have it any other way. Not only did it bring him closer to his family, but his new locale afforded him the opportunity to start a second career as a part-time ski instructor in nearby Vail, Colorado. “We have an active lifestyle and want to continue that,” he says.

Helping clients like Middelburg identify and meet their goals is the whole point of being a financial advisor, Leland explains. “We want to give [clients] more control,” he says, “not take it away.”

In Middelburg’s case, it appears Leland succeeded.

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