



The Upsize Surprise

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Michael and Valorie Guthrie are residents of a Michigan suburb called Northville near Detroit. Three years ago, the 63- and 60-year-old established a second home in West Palm Beach, Fla., to accommodate visits from family and friends, but the house turned out to be too small. After consulting with their financial advisor, Aubrey Lee, the Guthries decided to upsize into a larger West Palm Beach home.

“Along with the need for more space, some retirees see their home as a long-term investment that will be of financial benefit for them or their heirs,” Lee says.

The Guthries are among the 49% of retirees who didn’t downsize in their last move and part of the 30% who instead moved into larger homes, according to a new study called “Home in Retirement: More Freedom, New Choices,” released by Merrill Lynch and Age Wave.

“It’s important to talk with the client not just about the financial implications of retirement but how they want to spend their time in retirement,” says Lee, who works with Merrill Lynch. “When upsizing a second home, retirees should also consider how much time they will spend there.”

It used to be that retirees downsized because they no longer needed a large living space. But these days, some 33% of retirees upsize in order to have a home large and comfortable enough for family members to visit.

The study also found that 20% of retirees upsized so that family members would be comfortable enough to even live with them.

Besides Florida, pre-retirees are also eyeing new or second homes in California, Oregon, Washington, New Mexico, Nevada, Georgia, North Carolina and South Carolina.

Some 39% report they would most want to move to the South Atlantic region, followed by 25% who would move to the Mountain region and 16% who are interested in Pacific states.

Before upsizing, however, retirees must keep in mind a home’s maintenance, care and repair, as well as the homeowner association fees.

“They may want to consider spending what they would receive in the sale of their current home to avoid house payments,” says Melody Juge, founder and managing director of Life Income Management in Southfield, Mich. “Fees go up over time, but usually retirement income does not. Also, the cost of the move needs to be detailed, considered and well-budgeted.”

One downside of upsizing is that seniors are looking at longer lives.

“You need income in retirement to last your entire life,” says James Nichols, head of retirement income and advice strategy with Voya Financial. “Sometimes, it is tempting for retirees to feel overly confident when looking at their savings in one lump sum because they have a large amount of money.”

For pre-retirees who are still working, Merrill Lynch financial advisor Mark Thorndyke advises upsizing sooner rather than later.

“In today’s world, it can often be easier to get financing while you still have the income to support a mortgage if there is a need for one,” he says.

Of those retirees who have not and do not plan to move during retirement, 54% said it’s because of their deep emotional connection with their home, 48% cited a close proximity to family, 28% said they couldn’t afford to move and 44% noted remaining independent as their motivation to stay put.

“How and where our nation’s aging population chooses to live will have widespread implications on the way homes are designed, the resources people will need, and how communities and businesses nationwide should prepare,” says Andy Sieg, head of global wealth and retirement solutions with Bank of America/Merrill Lynch.

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