

Study explores new realities of retirement and homeownership

By Janet Kidd Stewart | February 28, 2015

Retirees, it turns out, are living large.

Among 50-plus retirees who have already moved in retirement, about half decamped to digs that were the same size or bigger, a new survey by Merrill Lynch and Age Wave reveals.

They are making room for adult children and grandchildren who visit, and they're entertaining more, particularly in the healthy early retirement years that rising longevity has created, the survey found.

"More and more people are turning their empty nests into nurturing nests, a place where friends want to come and stay," said Age Wave CEO Ken Dychtwald.

Of course, by definition there is the other half of retirees who are downsizing, either by choice or necessity.

And then there are those who are shrinking their real estate footprint, but not necessarily spending less.

"I have one client who just sold his home and moved to a place with half the square footage, but it cost about 80 percent of what the previous home sold for, and now he's picking up a vacation condo," said Ben Jennings, director of financial life planning with SoundView Advisors in Olympia, Wash. He wasn't involved with the study.

The survey of 3,638 U.S. adults seemingly debunks several other bits of conventional wisdom about retirees:

- 64 percent of 50-plus retirees said they are likely to move in retirement, including 37 percent who said they already have.
- The top reason for moving in retirement wasn't about a change in health or marital status or wanting to cut costs, but about moving closer to family.
- 30 percent of the retirees who reported already moving said they upsized to a larger home.
- Among 65-plus people who said they moved, 83 percent stayed in the same state. We aren't all snowbirds, apparently.
- For those who do have wanderlust, the study stayed pretty true to stereotypes: South Atlantic, Mountain and Pacific states got the most nods for desirability.

The study also revealed older retirees, those 75 and up, have the greatest emotional attachment to their homes, perhaps suggesting that waiting until old age to downsize for financial reasons could be precisely the most difficult time.

"On many levels, this is the most important financial topic advisers can talk about with clients," said David Tyrie, head of retirement and personal wealth solutions for Bank of America Merrill Lynch. He cautioned homeowners to balance the need to keep nesting with future priorities.

So how should those approaching retirement think about that?

A decade ago, Jennings used to tell middle-class clients at retirement not to tie up more than about 20 percent of their total assets in a home. Today, he uses computer modeling to project actual expenses into the future and can model alternatives to selling a house, such as a reverse mortgage.

Another way is to borrow a page from the wealthy, who tend to view second homes as a luxury they can dispense with if it begins to interfere with their core lifestyle, said Tim Noonan, managing director of capital markets insights with Russell Investments.

"It comes down to can you afford to live the same way after you've retired as before? People don't explore that question for the same reason they don't go to the doctor, because they fear they're going to hear something they don't want to hear," Noonan said. "They should understand that where they live is their No. 1 day-to-day financial habit, and their habits interfere with their financial security far more than they are willing to admit."

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