



## **Selling Your Home to Fund Your Retirement Lifestyle**

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As you approach the time of your life when you won't be bringing home that hefty paycheck, it's time to start thinking about the kind of life you'll want to live and how you'll finance it.

Take the opportunity to dream about your retirement. Are there things you've always wanted to do, places you've wanted to visit, even something you've wanted to buy? A sailboat, perhaps? If so, selling your home can be a way to free up money and create a new lifestyle that will cost you less.

### **Your Cost of Living in Retirement**

The first step is to figure your likely cost of living in retirement. Finding ways to spend less on housing can be your single best strategy.

First, evaluate how much your current home is worth by obtaining a professional appraisal and decide whether you'd be willing to downsize locally, downsize and relocate or relocate to a bigger place that would cost less. In a recent Merrill Lynch/Age Wave survey, 51% of people who've relocated in retirement said their most recent move was to a smaller home.

A growing number of older Americans are carrying mortgages, an expense that might shrink for some who sell their homes and rent. More than 30% of homeowners 65 and older are still making mortgage payments, according to a May 2014 Consumer Financial Protection Bureau report, up from 22% a decade earlier. And among those age 75 and older, the percentage carrying a mortgage nearly tripled during that period: from 8.4% to 21.2%.

Before taking any concrete steps to sell your home, analyze your current and future finances. Be realistic about possible expenses down the line. For instance, if you live in a condo and the building's board hasn't stockpiled a reserve for capital improvements, you may be hit with a one-time assessment or monthly assessments for a year or more.

## **Your Retirement Income Sources**

To estimate how much you can afford to spend on housing in retirement, assess what your income is likely to be and where the money will come from. If you plan to rely on pulling out money from your 401(k) plan, your income will be less certain than if you'll receive a pension with guaranteed, steady monthly income.

You'll want to figure out when you'll start claiming Social Security retirement benefits. You're allowed to begin taking that money at age 62, but your benefit will be greater for every year you delay until age 70. Many experts advise waiting until your full retirement age, which is 66 for people born between 1943 and 1954.

Check your earnings record at the Social Security Administration website to determine how much you can expect to receive. This Next Avenue article can help you arrive at a claiming decision.

## **2 Housing Options to Consider**

Finally, consider your housing options. Here are two possibilities:

**Downsizing to less expensive housing:** Some retirees relocate to cheaper areas using the money from the sale of their mortgage-free homes. In certain instances, they buy a new house with an all-cash deal and pocket the rest of the proceeds from the sale of their original home.

For example, Barbara and Mike West, 63 and 65, of Bethesda, Md., expect to close on the sale of their house at the end of March, having already signed on for a less costly one they're building near Jacksonville, Fla. "We are in packing mode now," Barbara said. She and her husband expect to rent a condominium near their new Florida home until construction is finished in July.

**Moving to an active-adult community:** Some couples and singles choose to buy in a community designed for people 55+ because they want to be part of a group of like-minded people that is near their grown children or grandchildren.

If you'd like to live in a complex with amenities and activities, an active-adult community might be the answer, said Susanne Matthiesen, managing director of aging services, CARF International, a Tucson, Ariz.-based organization that accredits residential facilities. "Look at the culture of the place," she said. "Is it vibrant and active?"

The cost of an active-adult community varies depending on the region of the country, how close it is to a major city, the size of the home and the services and amenities offered. For example, buying into Symphony Village, an active adult community in Centreville, Md., typically costs from the \$300,000s to the \$500,000s.

Remember, your home may well be your biggest asset in creating a new retirement lifestyle. Take your time in figuring out where and how to live. For the period.

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