

# Downsizing in retirement

## Planning where you will live in your later years

People often talk about eventually downsizing their home when they get to retirement. Practically, it doesn't make sense to clean and maintain unused space once the kids have flown the coop.

Financially, this may be intended as a way to release tied-up capital to help supplement retirement income, but just how much becomes available – *if any* – depends on where and what kind of destination you have in mind.

Whether you are driven by the finances, or just see it as a byproduct of a lifestyle choice, you need to carefully think through and plan how to proceed. A misstep could be costly in either respect, so here are some things to mull over.

### Are you assuming downsizing will be a financial windfall?

All else being equal, it costs less to maintain a smaller property. But between here and there is the matter of moving. Maybe you're leaving a house in the big city for a humbler abode further away. However, if you're moving within the same geographic market, the financial effect may be neutral at best, despite reducing the physical footprint.

Between the real estate commission on selling the old place and the land transfer tax on buying the new one, you're likely well past 5% of your sale price before you even hire the movers.

Add to that some updated appliances, new/smaller furniture, window coverings and other settling-in costs, and your physical downsize could be more of a lateral move financially. That's not necessarily a bad thing, but thinking through the finer details can give you a clearer view of the full picture.

### How will the new digs fit your relationships and lifestyle?

Having reviewed your finances, you may consider looking beyond the local area or at a different kind of housing.

#### How far are you going?

A more distant move could affect the frequency and amount of time you are able to spend with family and friends. Maybe you're moving closer, but if not then you could face challenges logistically, emotionally and financially. Consider too the impact on church/community connections, and professional/personal relationships like your doctor, dentist, hairdresser/barber, and massage therapist.

#### Cozying up to neighbours, or too close for comfort?

If you are moving to a different kind of accommodation, say from a detached home to a townhouse or condo, have you thought about how that will feel? Some people are comforted being in closer proximity to others, whereas some may feel crowded. Elevators and underground parking are great conveniences, but to some they are a personal security concern. Being in the city with a balcony view can be invigorating or intimidating.

#### Decisions on a lifetime of stuff?

In terms of your physical surroundings, how much do you want to hold onto and how much do you want to leave behind? It's safer and less physically demanding not having to navigate stairs and maintain an outdoor space. But what if gardening is your thing? And with less space to maintain, you also have less room to host holiday family gatherings, or even just have the grandkids for a sleepover. What matters to you?

## How about taking a test-run?

If things don't work out with the new place then you may want or need to move again. Clearly that can be disruptive and inconvenient, and if you become a serial mover then financial strain could mount.

One way to test it out, whether before or after you sell, is to use a service like *airbnb* to live for a couple of weeks or a month (or a year, like a friend I know) in a place near and similar to what you're considering. Discuss it with your real estate professional and your financial advisor to make sure you have the right information about both the market and yourself before making a more permanent commitment.

## **For more information, please consult your advisor and tax professional.**

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