

Where to Start if You Plan to Downsize

By David Mount, Senior Vice President and Portfolio Manager

Downsizing in retirement can be a good move, but don't automatically expect to double your nest egg. Homeowners in Washington who downsize are likely to benefit from past home appreciation, but more and more sellers want to move into a residence with an abundance of amenities or someplace closer downtown. Before downsizing, you should consider three factors: your vision for retirement, the total financial costs and potential psychological hurdles.

As you approach retirement, think about your ideal scenario. Do you want to stay in your current home? Or do you hope to find a cozy house on the beach? If you plan to downsize, what does that mean to you - is it a condo or a continuing care community? Many couples fail to communicate their plans for retirement, leaving them with very different ideas of where they will be spending their time and money. If you haven't done so already, develop a comprehensive financial plan to determine your savings needs and what type of home you can afford. Calculate your current home costs, including its mortgage, taxes, insurance, utilities and maintenance. Don't forget to factor in the costs of moving, including fees for real estate agents and a moving company.

Talk with a real estate agent about how much you can expect to sell your current house for. Then, look at scenarios for your ideal home to see how much you might save, taking the neighborhood into account. If you live inside the Beltway and plan to move to a more rural area you're more likely to save money, but moving closer downtown could cost you.

Ideally, you do not want to tap into your investment portfolio. If you have some savings specifically marked for moving that's fine, but you want to minimize the short-term impact on your financial assets. If you plan to move out of the region, consider renting. For someone who has been a homeowner for a long time there can be a stigma to renting, but it provides greater flexibility. Renting in retirement means you don't have to worry about maintenance costs and it allows for more freedom to try a new area or move into a different type of home more easily later on.

Alternatively, if you plan to stay in your current home, factor in the cost of upkeep, regular maintenance and big-ticket items such as roof repairs. Does your home also allow you to age in place? If there are a lot of stairs, you may need to renovate the home. The last thing you want to have happen is to plan to stay in your home and then years later deal with selling it because it is not able to meet your needs.

Aside from the financial aspects of downsizing, the psychological transition can be a hurdle for many people. It is difficult for long-time homeowners to envision not having ownership if they move into a continuing care community or rental. They may also have to adapt to a smaller living space.

With many people spending more than 20 years in retirement, you don't have to downsize immediately, but should start to develop a plan once you get serious about your retirement date. You don't want to make the mistake of rushing into a move later on and buying something out of your budget or in a new location that you don't like. Planning ahead will allow you to make sure that you have sufficient resources and avoid being forced into a different style of living than you envisioned.

We would be happy to discuss which strategies are suitable for your needs with a personalized financial plan and customized investment portfolio designed to help to achieve your long term plan.

Contact The Wise Investor Group at 571-203-1600.



David Mount

Senior Vice President

Portfolio Manager
The Wise Investor Group
Robert W. Baird & Co.
571-203-1600

David has nearly 15 years of experience in the investment industry. He specializes in portfolio management and asset allocation. In addition to earning a bachelor's degree in economics from the University of Arizona, David holds a certificate in financial planning from Georgetown University. He lives in McLean, Virginia, with his wife, Stephanie and their two children.

[As seen in Washington Post](#)

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