



CAPITAL MANAGEMENT



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Greetings!

Our newsletter this month is titled "Add Housing Decisions to Your List of Retirement Priorities."

Thank you for your thoughts and feedback on our newsletters. If you know someone who may benefit from this information, please pass it on. If you have any questions or comments, please contact us.

Regards,

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## → Add Housing Decisions to Your List of Retirement Priorities

Where and how you choose to live out your retirement years could be one of your most important decisions. Choosing whether to relocate or to stay rooted in your hometown, to remain in your current home or to trade down to a smaller residence are important questions that involve a host of lifestyle and cost-of-living issues.

## → Making a Move

Selling your existing home and relocating to a more affordable house or condominium may be a reasonable option if you have considerable home equity and the shift won't negatively affect your lifestyle.

To help sort through your own lifestyle preferences, make a list of your values -- those things that are important and meaningful in your life -- and then determine what are your highest priorities. It is those elements that you'll want to incorporate into your retirement lifestyle choices.

- Proximity to children/grandchildren -- If you value family and friends above all else, then proximity to your loved ones likely will be a key factor in your location decision.
- Availability of health care -- If fitness and good health are things you value strongly, then you'll want to live in an area where quality health care and a variety of recreational activities are available.
- Small town vs. city living -- Do you prefer the sense of community you get from living in a small town or rural area or does the hustle- and bustle of city life with its cultural opportunities, restaurants, shopping, and public transportation better fit your style?
- Climate -- Although weather is no longer the prime consideration for today's retirees, it does play a role in the location decision process. Some people may yearn for year-round sunshine, while others enjoy experiencing the richness of a four-season climate.

Ideally you should consider these and other lifestyle factors before you examine the financial implications of your location decision.

## → Financial Considerations

The cost of living is a big factor to consider when researching a retirement

location -- particularly for retirees who rely on a fixed monthly income.

When researching new locations, remember to investigate the overall housing costs in the desired area. For example, real estate values and property taxes typically vary considerably by locale. Be sure to check the rates for property taxes as well as income and sales taxes and compare them to where you currently live. You may be surprised to discover that states with no income taxes -- such as the traditional retirement haven of Florida -- often make up the difference with higher property and sales taxes.

## Decision Time

Deciding on retirement living arrangements involves a host of issues that you will need to weigh carefully. In making the decision, give yourself plenty of time and do as much research as possible.

**Stay in your current home.** If your lifestyle needs will best be met by staying put, consider the financial implications of that decision. For instance, if the mortgage on your home is paid off, your housing expenses will probably be much lower than you'd find in a different living arrangement. Since you may be in this house for another 20 years or more, consider investing in some home improvements, such as insulation, a second bathroom or even converting a large single-family home into a two-family home for rental income.

**Sell your home.** This decision depends greatly on whether you need to raise money from the sale of your home. If your expected income from Social Security, pensions and other sources falls short of your requirements, then you probably have little choice but to tap your home equity.

Selling your house may provide enough cash to defray your new housing costs and potentially provide additional funds to use as you please. Note that married couples can exclude up to \$500,000 in capital gains from the sale of a primary residence (single homeowners can exclude \$250,000)<sup>1</sup>. This rule can be beneficial for retirees who own highly appreciated residential property, as long as they have owned and used the home as a primary residence for at least two out of the last five years.

**Choose a new home.** If you decide to relocate, or if you stay in the same location but sell your home, you will need to decide what type of replacement housing is best suited to your needs. Should you buy a single-family home? Rent an apartment? Buy a condominium? Buy into a retirement community? These and a growing array of options are available to today's retiree. Shop around and compare features and costs against your personal requirements and budget.

In the end, no matter where you choose to live--from Maine to Montana, in a

house or an RV-- home is where the heart is, and where you feel most content and comfortable.

<sup>1</sup>"Excluding the Gain" <https://www.irs.gov/publications/p17/ch15.html>

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