

4 Questions To Ask Before Downsizing Your Home In Retirement

Retirement is a major adjustment in a person's life. For some, it brings new experiences, new freedoms, and travel. For others, it's a time of seeking out ways to save as they adjust to living on a fixed income. In either case, it can cause retirees to start looking at their budgets and their possessions, specifically their homes, in a different way.

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It's not uncommon for retirees to downsize their homes, whether it's because they don't need all the extra space, because they're trying to save money, or to move into a more expensive community. Here are four questions to ask yourself to decide if downsizing your home in retirement is right for you.

1. What's your budget?

You must first determine whether you'll be applying for a new mortgage. Of course, you may not have to take on a new mortgage if the sale of your old home gives you enough money to cover the cost of the new one. But remember, taking out a mortgage in retirement is riskier than it is for younger adults—especially if you choose an adjustable-rate mortgage where monthly payments can fluctuate.

You must also consider uncertainty. If you experience a major health crisis (or any kind of large, unexpected expense), you could end up unable to pay your bills and may even lose the roof over your head. You might be better off staying in your current home, rather than taking out a new mortgage for which you'll be responsible for the next 15 to 30 years, if you only have a few years left on your current mortgage.

If you're downsizing your home in retirement but planning to relocate to a more expensive community, you still need to consider what you can afford and carefully weigh that against unexpected impacts, such as health expenses or economic fluctuations.

2. What are your housing needs?

Whether you're thinking of downsizing because you'd like to save money or because you don't need the extra space, there could be financial advantages to remaining where you are if you have an extra room you're willing to rent out.

You could accept a permanent tenant or temporarily rent your home to people traveling to your area (e.g. [AirBnB](#)) while you're away. This ensures all the extra space gets used and you get an additional source of revenue to put toward your other living or travel expenses.

Conversely, you may want to eliminate space but essentially trade up by moving to a better location—on the waterfront or adjacent to a golf course, for example. You could easily downsize from a larger home to afford a smaller, more expensive home in an area you prefer.

3. How much would you make from selling your home?

Downsizing can save you money, but it isn't guaranteed to do so. If downsizing also means moving to a more expensive area, you could end up paying more per month in rent or your mortgage payment, insurance, and taxes. Other living costs, like dining out, transportation, and groceries, could also be higher.

These factors may not bother you if you have plenty of savings, but when money is tight, you need to weigh the potential savings and costs of downsizing your home. Look at the cost of your new monthly home payment, property and school taxes, and estimated home upkeep and closing costs. Compare this to what you're paying now to live in your current home. If the savings aren't significant, you may prefer to stay where you are rather than to go through all the hassle of moving.

4. Will you be comfortable in a smaller space?

Retirees have generally accumulated many possessions over their lifetime, which can make downsizing difficult for those who aren't willing to part with any of them. Moving all of your things to a smaller home could make the space feel crowded, or else you may have to pay for a storage unit to house the things you cannot fit into your new, smaller home.

However, if you're willing to get rid of the things you no longer need or use, you could actually make money by selling your old possessions. This could help offset some of your household expenses for a month or two so you don't need to rely as heavily on your retirement savings.

Is Downsizing Right for You?

Regardless of your financial situation, the choice to downsize your home comes with multiple considerations and decisions. PlainsCapital Bank provides direction and resources to help you [during retirement](#). For more information on how PlainsCapital Bank can support you while downsizing your home in retirement, call a PlainsCapital representative today at 866.762.8392.