

Downsizing - is it right for you?

If you are heading towards retirement, or perhaps already in it, downsizing may have crossed your mind. And you might have some questions - does it make sense financially? Is a smaller home better suited to my situation?

At first glance, it would seem that downsizing is a popular choice amongst older Australians. However recent research (Downsizers and Other Movers - The Housing Options Choices and Dilemmas of Older Australians) highlights that only 9% of 50+ year olds moved to a smaller home in the period 2006-2011. We explore some of the issues to consider when reviewing your housing needs.

So why do we downsize?

Of those surveyed for research, 'Lifestyle preference' was the number one reason for downsizing, with 'Retirement' and 'Financial gain' coming in fourth and sixth place respectively. We won't know until after the 2016 Census if the percentage of movers in the 50+ age group has increased, or indeed if the reasons for downsizing have changed. But perhaps, given the housing market has been broadly growing year-on-year since 2012 - with dwelling values across CoreLogic RP Data's combined capital city index having increased by 22.2% to January 2015 - more older homeowners are wanting to capitalise on rising house prices.

Making the most of your space

Another belief explored in the report is that older people are under-utilising the family homes, so downsizing would seem like a sensible step. However - when questioned - 91% regarded their (mostly three or more bedroom) dwellings as suitable for the needs of their household. While 86% had one or more 'spare' bedrooms, close to 75% of those had temporary residents requiring the use of that bedroom - that being an adult child, grandchild or other relative.

And it seems that, after retirement, we could actually need more room, not less. As we spend more time at home, an office or hobby room is a common requirement. For couples, each having their own personal space was considered important. Even if your grown-up children have long flown the nest, many come back for weekend visits, so a spare bedroom can be a necessity.

Time to move on

But what if you feel that downsizing is right for you? A big driver for those that do opt for a smaller home is the inability to maintain the current family house and/or garden. This can also be compounded by the loss of a partner, relationship breakdown or ill health, all of which would make it harder to continue with the up keep of a larger property. 33% of those who downsized said reducing living costs was the main reason for moving.

Downsizing certainly can mean a lesser financial burden for some, but it's important to take into consideration other costs such as removalists and stamp duty - which 11% of downsizers included as a 'difficulty' of the moving process. There may also be implications on the age pension, so it's important to make sure you are fully informed. Another important factor is that, with many Australian suburbs dominated by large family homes, finding a suitable place may mean moving to a different area. It could mean moving further away from friends, family and your support network. Something we tend to rely on more heavily as we get older.

Seeking professional financial advice is something currently only 14% of downsizers do. But it could make a significant difference. Deciding whether to stay put or sell up is complicated. Talk to your financial advisor before you make the big decision. Using contemporary financial modelling tools, they can model a range of "what if" scenarios to equip you with the information you need to make the right decision for your circumstances.

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