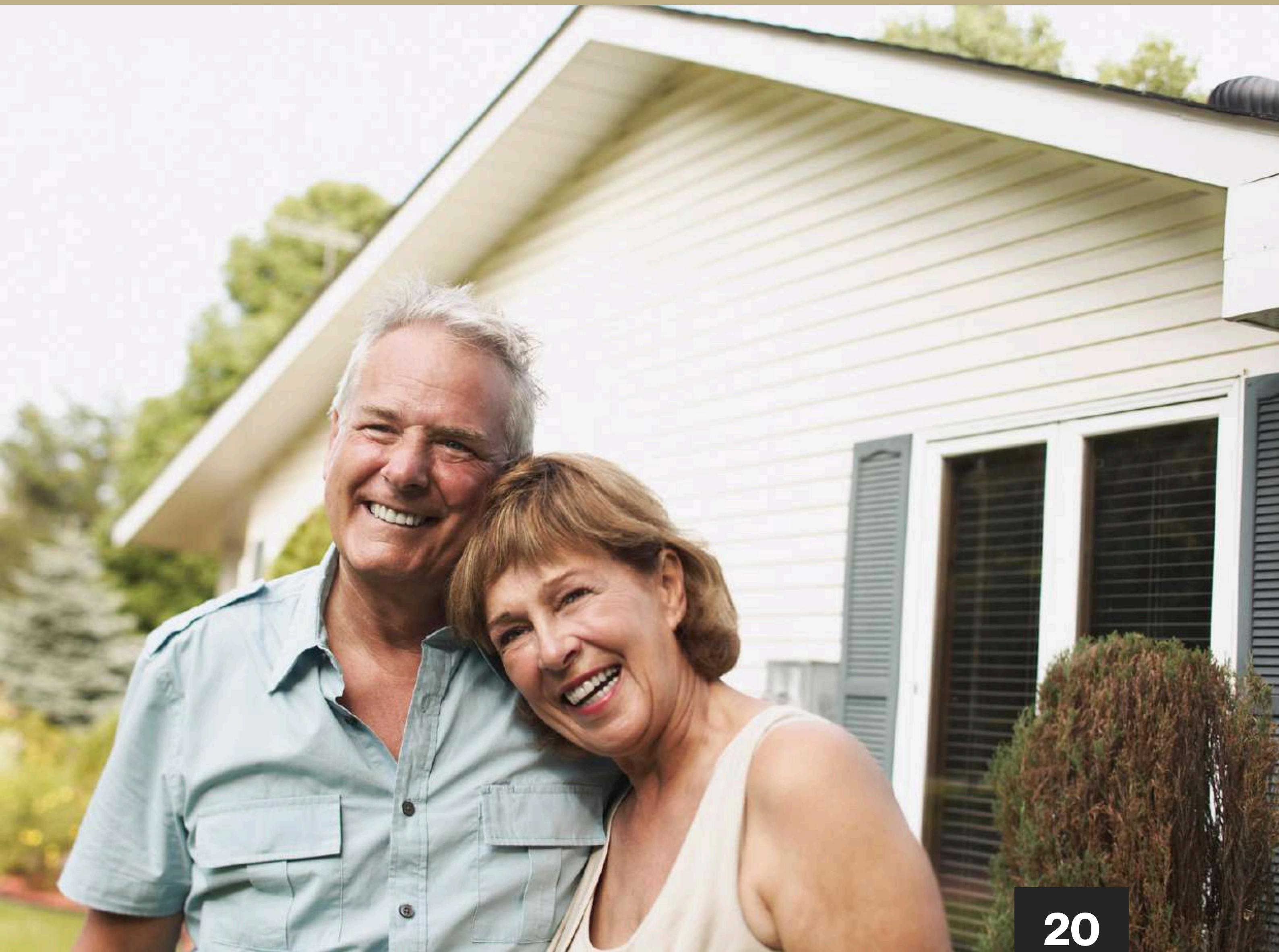
DOWNSIZING IN RETIREMENT



Decide whether downsizing your home is right for you

2025

If you're thinking about selling your home and downsizing, consider the pros and cons.

Check if selling your home affects your government benefits.

Pros and cons of downsizing your home

Weigh up the pros and cons to decide if downsizing is right for you.

Pros

- Increased cash flow — Downsizing could free up money to pay off your mortgage, invest or spend.
- Easier to maintain — A smaller place takes less effort to clean and maintain.
- More convenient — You can choose a layout and fittings that better meet your needs, or a location closer to family, transport and services.
- Lower insurance and utility bills — In general, a smaller home costs less to insure and is cheaper to heat or cool.

Cons

- Less space — A smaller place means less space for things, so you may have to make some hard choices.
- Less flexibility — Your new place may have less privacy, fewer guest rooms, or less space for entertaining.
- New neighbourhood — It may take time to adjust to a new area or to find new health care and other professional services.
- Emotional connection — Your family home may be full of memories, which can make it difficult to let go.

Steps to finding the right home

Research

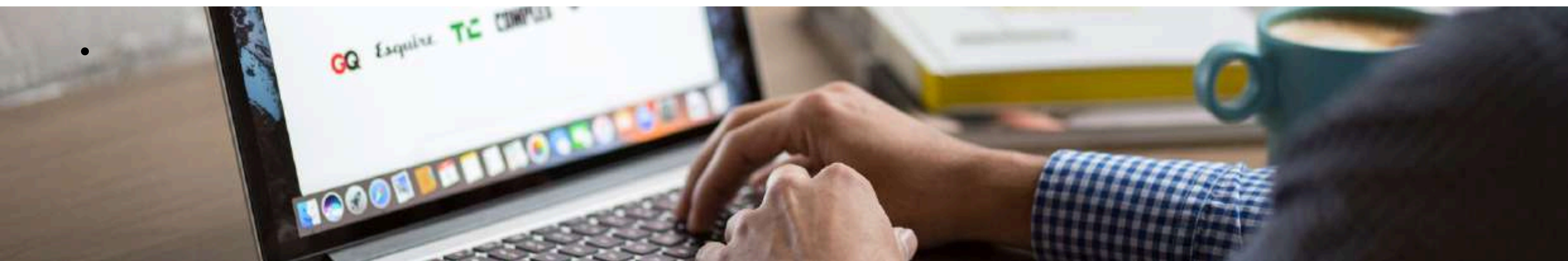
Like any big decision getting your downsizing decision right is going to require research. Understanding why you want to downsize (the things you want to leave behind, those you want to keep and those you want to change) is a crucial first step. To help you work out which downsizing decision will best suit you will also need to think about Where you want to live and Who and What you want to be close to (or far from).

Consider

Few people plan to spend their lives in a recliner in watching the television, but if you don't plan anything else that's what you can find yourself doing! It's easy to say what sort of lifestyle do you want? And if you are looking at retirement communities almost every brochure will have the word "Lifestyle" in it, yet every community is different. To consider which of the downsizing options you have identified you will need to think about how do I want to spend my time, who do I want to spend my time with – this part of the journey is more about the "How do I want to live?" considerations.

Assess

Once you have narrowed down your options to those that fit the Where, Who, What and How it's time to assess what the options mean for you, financially speaking.
Making sure you understand what it is going to cost when you move in, while you live there and after you leave is a critical step in your financial analysis. Likewise, making sure that you understand the rights and responsibilities of your contract is just as important. As part of your financial analysis you may also need to work out what the implications are for your Age pension (and other benefits) and if you receive a Home Care Package then making sure you understand the impact on your fees is important too.

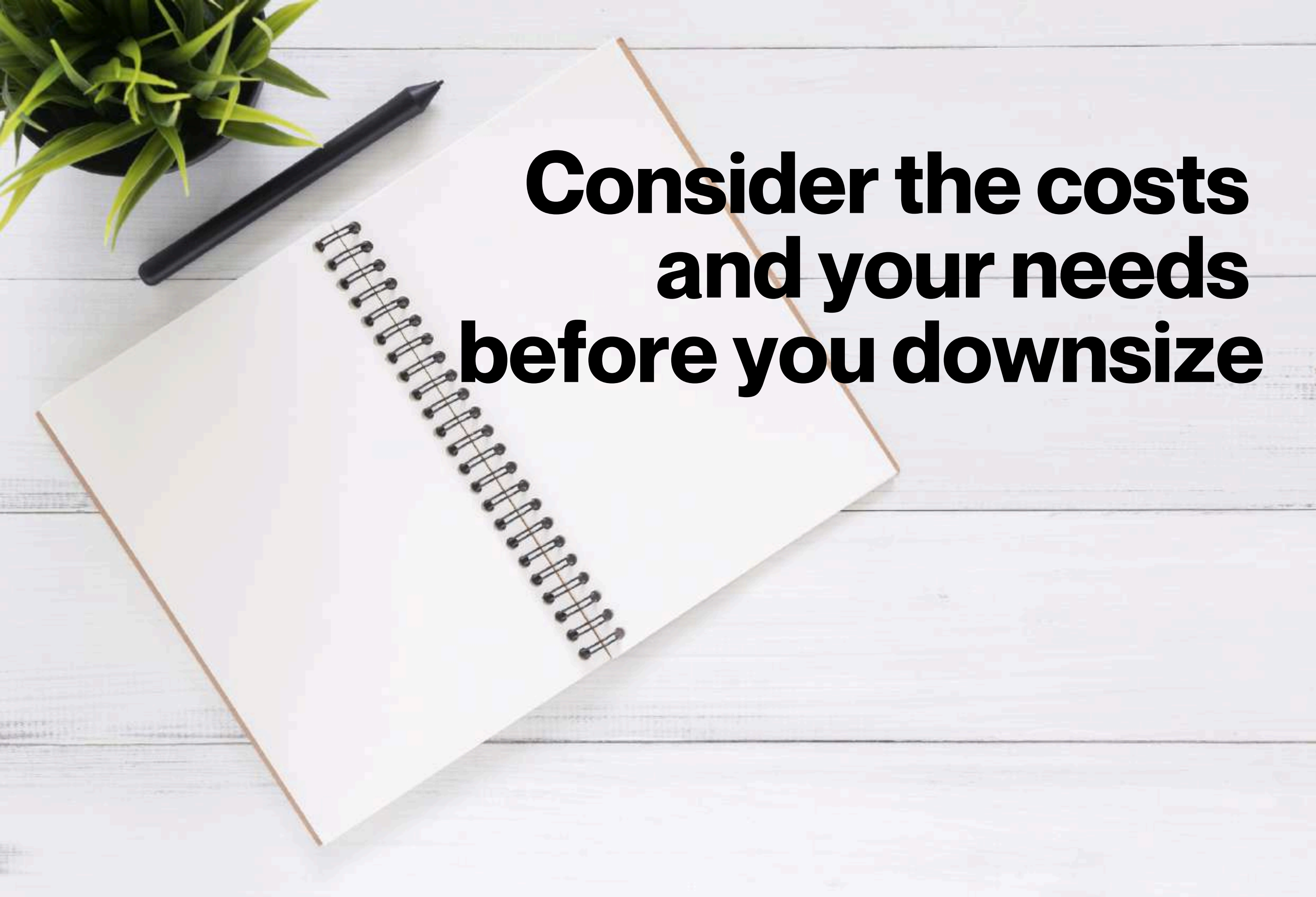


Prepare

Getting ready to move to your new home is exciting but leaving a home full of memories (and the things that have accumulated) can be hard. A good agent doesn't just sell your house, they can also guide you on improvements that may be worth making, how best to present your property and connect you with other services that can help. What to do with all the "stuff" is a common issue that many downsizers face, fortunately there are some simple but effective strategies for helping you (including asking the kids to take their things!). Having a sketch or floorplan and some photos of your new home can really help you to work out if what you're planning to take will fit and how it will look in your new home.

Move

Packing up your belongings and moving them to your new house is an arduous but exciting task. There are the less exciting jobs like arranging removalists, redirecting mail, disconnecting and reconnecting utilities (don't forget your internet and entertainment subscriptions like Foxtel) and you will need to clean your home ready for its new (equally excited) owners. There are a range of different companies that can help you do one, some or even all of these things, which can take at least some of the stress out of moving.



Consider the costs and your needs before you downsize

Take the time to consider the kind of home that suits your lifestyle, level of independence and budget in retirement.

If you decide to move, some of the costs to consider include:
buying and selling in the same market
real estate agent fees
stamp duty
legal fees
furniture removal

See our home buyers guide for more information.

****FREE ** HOME BUYERS GUIDE**
Text HBG to 0468 383 747
to get your copy

Alternatives to downsizing your home

If you decide to stay in your home, alternatives to downsizing include:

- **Renting out space** — Consider renting out a room or taking in a boarder.
- **Converting to dual occupancy** — See if you can convert your home so that you live in one half and rent or sell the other half.
- **Considering equity release** — Explore whether a reverse mortgage or home reversion may suit. There is risk involved and a long-term financial impact, so get independent financial advice first.

Before going ahead with any of these options, check the tax impact and whether it will affect your government benefits.

Impact on Age Pension or government benefits

Your eligibility for the Age Pension depends on the:

- assets test (value of your assets)
- income test (income you receive)

Your home is not included in the assets test. When you sell your home, the proceeds are exempt for up to 12 months if you plan to use them to buy, build or renovate another home.

The proceeds are 'deemed' in the income test — they are assessed as income from financial assets. This may affect the amount of government benefits you get.

See moneysmart.gov.au for more information on Age Pension and government benefits for more information.

There is more than one option

Retirement Villages

The housing choice most people think of when they hear the word “downsizing” retirement villages (like the people who live there) come in all different shapes and sizes and cater to a broad range of lifestyles from the very active to those seeking an alternative to aged care and everything in between.

Land Lease Communities

Becoming increasingly popular, these communities are lifestyle driven and often called resorts or lifestyle villages. What sets them apart from Retirement Villages is that you own the home but rent the land on which it sits.

Granny Flats

Granny flats enable multi-generational living, and it’s not just the traditional self-contained studio in the backyard, it can be part or even the entire home.

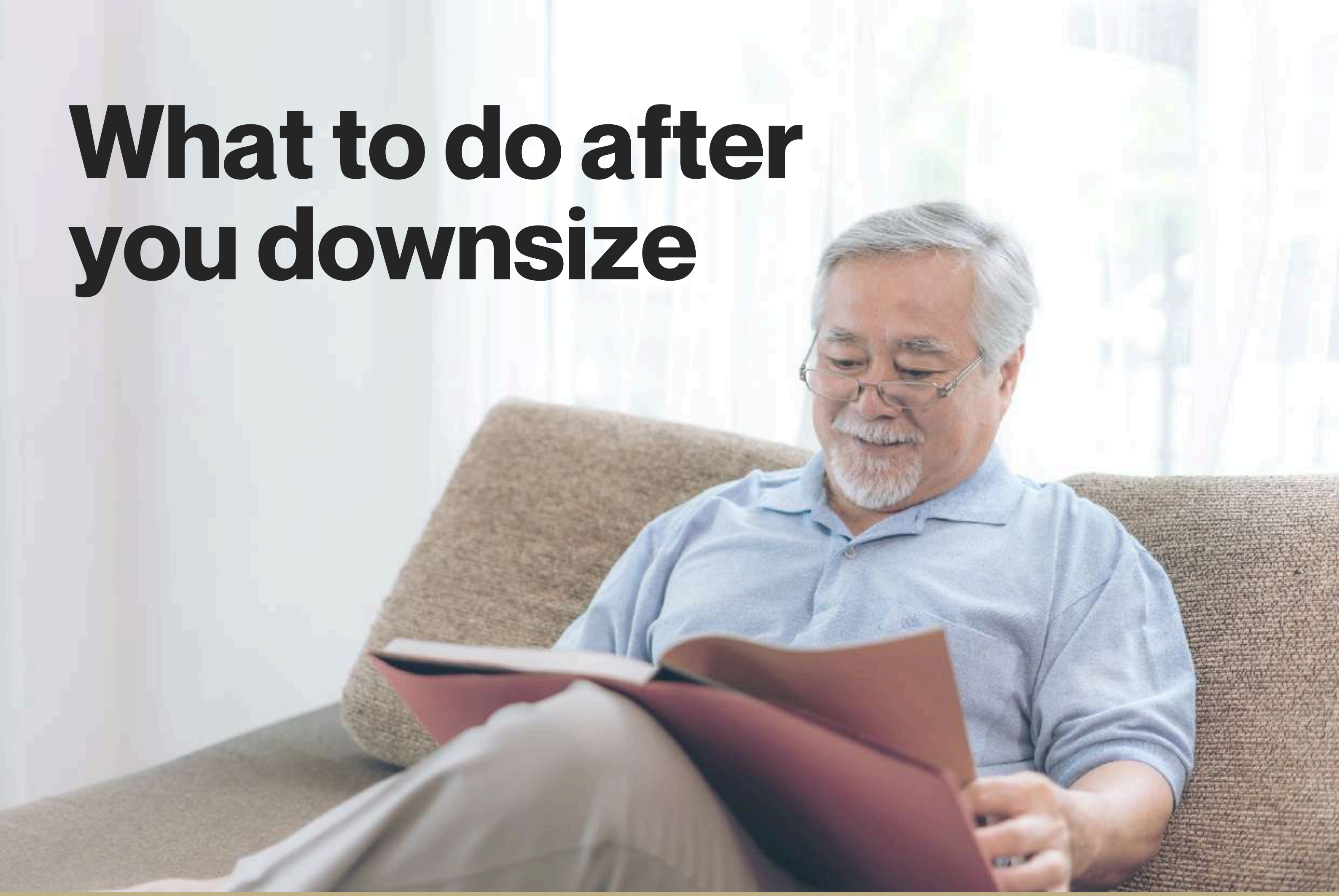
Strata

Individual ownership of your home and an owner’s corporation that is responsible for managing and maintaining common areas.

Co-housing

The newest form of retirement housing, typically smaller homes or apartments where owners share communal spaces and in some cases cars.

What to do after you downsize



After you've sold your home:

- Invest the proceeds — Consider investing any extra money into an income-producing asset
- Buy into retirement living or your smaller home
- Get help if you need it — Government services like the Commonwealth Home Support Programme can help you to live independently and assist with daily tasks like shopping, cleaning, personal care or home maintenance.

Smart Tip

You may be able to contribute up to $300,000 from the sale of your home to your super. See downsizer super contributions on the Australian Taxation Office (ATO) website. www.ato.gov.au
Get independent advice

Case Study

Mary sells the family home

Mary is 67, owns her home, and is considering downsizing. She expects to sell her home for $800,000. She wants to buy a small apartment for $500,000 and have $300,000 left to invest.

Before selling, she contacts Centrelink (Services Australia) to ask how it will affect her Age Pension. A Financial Information Service officer tells her the $300,000 will be included in the pension assets test. This will reduce her pension by a small amount each fortnight.

Mary decides to go ahead with downsizing because, even though she'll get less pension, she'll be more financially secure.

Get independent advice before you go ahead

Before you downsize:

- Consult a legal professional to review sale contracts and oversee settlement.
- Get independent advice from a financial adviser about options for investing your sale proceeds.
- Ask the Services Australia Financial Information Service how it will affect your pension or government benefits. www.servicesaustralia.gov.au

Free Resources

The Downsizing Made Simple website has a range of free calculators and exercises to help you in your research to help you make the best decisions

www.downsizingmadesimple.com.au

Choosing an effective team

A GREAT REAL ESTATE AGENT

Anybody can sell a home. Anybody can place your property on the market.
What you need is an agent who can try to create some urgency.
When your home goes on the market, if it looks right, if it feels right, the market place will respond and the traffic will come through so a sale will be made in a shorter period of time for you.
You need an agent who will sit down with you and say, “What do we need to do from here to get your house to a point ready for sale?”. A good agent will ask the right questions so that your home can be sold quickly.
Do you need extra gardening done? Do you need some furniture stored?
Does the house need a little bit of touch-up paintwork?
If you choose an agent who has some experience with helping clients through the downsizing process, they will understand what you are going through and even help you after your house is sold. Such agents will see you through moving and settlement. They will know good removalists and gardeners, anything and anyone you need to make the move that little bit easier.

AN EXPERIENCED CONVEYANCER

Another important person you will need in the process is a conveyancer to help with all the transfers, contracts, and legal aspects of the sale of your house.

A TRUSTED FINANCIAL ADVISER

Choosing a financial planner for retirement is a crucial step to ensure your future financial security. This may be your regular accountant, or you may need to also consult someone who has expertise in the areas you need guidance ie retirement planning, investment management, or both.
Interview a couple of financial planners to find the right fit, get referrals and reviews, check their credentials and find out their fees to make sure you find a good fit.

Notes

Notes

Who to contact

I hope this document has allowed you to look at your property in a completely different way and allowed you to start to formulate a clear plan utilising your most valuable asset, your home, to secure your retirement. We look forward to the opportunity of working with you and continuing to provide the guidance that allows you to profit from our knowledge.

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