Do I have to downsize my home for retirement?

If you're thinking about downsizing your home to fund your retirement, find out what options are available.

So maybe you're nearing retirement and thinking about downsizing your home for retirement. Or perhaps you've already retired and are considering downsizing to buy a more manageable property.

Of course, there may be benefits of moving to a smaller place. You might be able to reduce or pay off your home loan, get rid of some clutter and there is likely to be less cleaning and gardening. But don't assume that moving to another property is guaranteed to give you more cash to live on.

Before you put the 'for sale' sign up, get a few different estimates on what your house is worth. Then think about why you want to move and what you're hoping to achieve.

Some things to consider

- Why do you really want to sell? Is it to have a better lifestyle, be closer to your family, pay off your home loan or have more cash?
- Where do you want to move to, and have you trialed living there before to see if you like it? Consider a house swap or renting a property in the area you want to buy, before forking out for a deposit.
- Why do you want to live in a particular area? You might love the idea of living on a remote beach or in the bush, but have you researched nearby facilities, such as shops, public transport or hospitals?
- Do you have emotions tied to your family home that would make it hard to move, such as memories of the kids growing up there?
- What about the social aspects of moving, like whether you have friends or family where you're moving to? And what about the ones you're leaving behind?

Super benefits for downsizers

If you do decide to sell, you'll need to consider what to do with any proceeds that are left over. One option to consider is the new super measure allowing these proceeds to be contributed to super.

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continued

As of 1 July 2018, downsizers aged 65 or over can make an after-tax contribution of up to $300,000 per person (or $600,000 per couple) from the sale of the family home they've lived in for at least 10 years. This is in addition to any other before-tax or after-tax contributions they're eligible to make, regardless of work status, superannuation balance, or contribution history.

There are conditions—as well as additional rules which may apply to your situation—so it's important to do some research before making any decisions.

The real costs of moving

While there may be many good reasons to consider downsizing, selling your home and buying another property will incur some out-of-pocket expenses. You'll have the costs of moving, such as connecting and disconnecting utilities, removalists' fees, stamp duty and potentially real estate agent commission costs.

In addition to these, any money left over after downsizing could affect you under the government assets and income tests. For example, moving from a property that is worth $1m to one that's worth $400,000 means you could have an additional $600,000 in assessable assets, which could impact your Age Pension entitlement.

So you'll need to carefully consider if downsizing is the right option for you and your retirement plans. For more information download our downsizing planner.

Other sources of income

Apart from selling your home, you could think about other ways to generate income leading up to, or during retirement. Here are just a couple of examples.

- If you've already retired, consider getting a part-time job to help supplement your income or the Age Pension. But bear in mind there are limitations to the number of hours you can work after you have declared that you're retired. Depending on your circumstances, income from working could also impact on your pension entitlements.
- Consider reviewing your investments to make sure they align with your goals. Just remember that past performance is no indicator of future performance and higher returns can also mean higher exposure to risk.

We're here to help

Retirement planning can be a complex area and there may be tax or Age Pension implications which you need to be aware of before making any decisions.

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