

DOWNSIZING PANEL DISCUSSION

What You Need to Know

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By
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DOWNSIZING PANEL DISCUSSION

What we will cover

- The Broad Picture
- Advice if considering downsizing
- What we did – Phil and Joan Fisher
- What we did – Kirk and Joan Beales
- Q and A

DOWNSIZING PANEL DISCUSSION

The Broad Picture

- **Applies to Downsizing**

- What is it?
- Why/When
- Buy/Sell; Sell/Buy; Simultaneous
- Purging

Applies to All Sales including Downsizing

- Staging (or not)
- Open House or By Appointment
- Inspections/Disclosures
- Mover Options

DOWNSIZING PANEL DISCUSSION

What is it?

**Change of ownership from primary residence
To
Ownership of smaller primary residence**

Excludes:

- Sale of 2nd home without replacing
- Sale of primary residence to move to rental residence

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Why Do People Downsize- Among the Reasons

- More space than needed in current house
- Weary of landscaping, utility bills, Insurance, house cleaning
- Be closer to family (or not farther away)
- Gee, we always wanted to live
- Now need independent living
- Family status change (divorce, etc.)
- Cash Out Objective- requires looking at
 - Cases for various Buy and Sell \$
 - Cost basis (home improvement \$)
 - Cap gains - exclusion
 - Some inc taxes paid at sale, other as estimated tax paid later
 - Medicare premium bump in 2nd following year

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When to Downsize

- It is both an emotional and analytical decision
- More likely takes time (years) for the thought to percolate
- Less likely to be a snap decision (unless dictated by an urgent circumstance)

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Which Order?

Buy/Sell = Buy first, then sell

Or

Sell/Buy = Sell first, then buy

Or

Simultaneous = close both Buy and Sell on same day

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Buy/Sell

Buy new house first, then sell old house

- Requires belief you can sell old house at desired price and time
- Distress sale consideration
- You own 2 houses until sale of old house (ins, prop taxes, landscaping, utilities)
- Requires one move, no interim living
- Financing Options to buy new house
 - 2nd mortgage on old place (fees and interest)
 - Borrow from IRA, (fees and interest)
 - Cash from other equity
 - Bridge loan (higher fees and interest)

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Sell/Buy 1 of 2

Sell old house first, then buy new house

- Requires interim living:
 - Rental
 - Lease back from Buyer
 - Friends
 - Vacation home
 - Extended stay hotels
- Requires 2 moves
- Interim furniture storage may be required

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Sell/Buy 2 of 2

Sell old house first, then buy new house

Financing

- Sell on contingency of buying new house (but reduces appeal to buyers, distressed sale risk)
- Or no contingency and trust that sale will meet needed \$

Renting if the interim living option, then requires of rental:

- Generous cancellation clause or
- Month to month
- Both of which may discourage landlords, and/or may result in less acceptable interim housing

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Simultaneous Buy/Sell

Sale and Buy to close on same date

- Only one move on close date (If no staging required)
- Avoids:
 - Interim living
 - 2 moves,
 - Financing concern
- Attractive sounding, but difficult to make it happen on same day
 - Up to 4 agents involved
 - Different priorities among the various buyer and sellers
 - 2 title/escrow companies

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PURGING

Purging is disposing of all the possessions that won't fit

- Requires room by room , shelf by shelf, drawer by drawer, review and decisions of what to take to new house:
- Time consuming and both physically and emotionally draining
- How to dispose of what does not go to new house
 - Sell :
 - Consignment stores- they take a cut, require you to deliver to store
 - Social media-considerable effort to post, negotiate, plus security issue)
 - Donate (limited charities who will take furniture, art, etc., small stuff maybe to Thrift stores)
 - Give to others (your children probably not interested)
 - Dump (last resort)
- Consider hiring a professional organizer

DOWNSIZING PANEL DISCUSSION

Issues applying to all house sales, including Downsizing

- Staging (or not)
- Open House or By Appointment
- Inspections/Disclosures
- Mover Options

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STAGING (OR NOT)

Upon house vacancy, your agent may recommend a professional stager

- Improves the sales price,
- Stagers will clean carpets, change lighting, change wall plates, maybe paint and new carpeting, place new furniture
- Staging costs are by Seller through escrow
- Your agent may offset all or part of the staging from their fees
- If Buy/Sell, staging delays placing on the market (especially painting, new carpeting)
- If Sell/Buy, staging lengthens time for interim living, any loans
- Staging Exception- if house has attractive décor, furniture, etc.

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Open House vs By Appointment for the Sale

Open Houses generate more traffic than By Appointment

- Open Houses are well advertised, and agent supervised
 - If staged, no security issues (no personal possessions)
 - If not staged, agent can be mindful of your possessions
- You need to be away
- If By appointment:
 - Why By Appointment- Not ready to sell, don't want to stage, etc
 - Benefit: If not staged, and valuable possessions still in house, then added security of agent conducting appointments one on one
 - Disadvantage: less interested buyer traffic

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Inspections/Disclosures

Local Rules, Regs, Customs and Agent Advice Determine Choice

- 1. Seller arranges for inspections ahead such that potential buyers have full disclosure**
 - Caution:
 - Inspectors can only inspect what they can see
 - They cannot see behind sheet rock, under carpets, etc.
 - If major issues surface
 - Fix before sale,
 - or disclose and let buyer fix (risk of lower price offers)
- 2. Or Seller says Buyer to arrange and pay for inspections**
 - Sale likely contingent on findings
 - Risk it re opens price negotiations if serious issues found
- 3. Reverse of above to be considered when buying new place**

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Mover Options

Movers typically charge time and material

- Get quotes from several reliable movers (licensed, insurance, references)
- Agent may have suggestions
- Choices (in ascending cost order and descending time by you) :
 - You pack small and non-fragile stuff, movers do rest
 - You pack all items ex furniture, movers do rest
 - Movers pack and move everything

Whatever you pack requires buying boxes, bubble wrap, tape

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Advice

- Start working with a patient Agent who is experienced handling all of the above.
- Start purging now and **be ruthless**.
- Find an experienced organizer who can help with the purging.
- Look at open houses in areas where you might want to live and type of home: sfr, condo, townhouse, one story vs two, etc.
- Consider all the other ideas suggested here.

DOWNSIZING PANEL DISCUSSION

What Phil and Joan did

DOWNSIZING PANEL DISCUSSION

What Phil and Joan did

	WHY?
<input checked="" type="checkbox"/>	More space than needed in current house
<input checked="" type="checkbox"/>	Weary of landscaping, high utility bills, high Insurance, house cleaning
<input checked="" type="checkbox"/>	Be closer to family (or not farther away)
<input type="checkbox"/>	Gee, we always wanted to live
<input type="checkbox"/>	Now need independent living
<input type="checkbox"/>	Family status change (divorce,
<input checked="" type="checkbox"/>	Cash Out Objective

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What Phil and Joan did- When

- Thought about it for years
- Occasionally looked at different neighborhoods
- Deciding factors on timing were:
 - Strong market for old house,
 - Found attractive nearby area for new house
 - Patient agent

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What Phil and Joan did: Buy/Sell vs Sell/Buy

We did Buy/Sell

We found a new place in the attractive area that met our cash out objective :

- ☒ We accepted the risk that we could sell old house at desired price quickly
- ☒ We recognized cost of ownership of 2 homes until old house sold

Our Financing Options to buy new house

- ☐ 2nd mortgage on old house (fees and interest)
- ☐ Borrow from IRA (fees and interest) ,
- ☐ Cash from other equity
- ☒ Bridge loan (higher fees and interest)

.

Downsizing Panel Discussion

What Phil and Joan did: Purging

- ☑ Went through every drawer, shelf, cabinet
- ☑ Hired an organizer
- ☑ Exceptionally time consuming and emotionally draining
- ☑ Disposal:
 - Shocking limited value for high quality, custom, but dated furniture, art work, figurines, high end china, silverware, books
 - Marin Consignment stores, typical charities, mostly were not interested in our furniture
 - Most furniture given away to small consignment store in Lake County
 - Organizer took surplus housewares, tools, linens, etc., to local Thrift stores
 - Rented a large dumpster, and filled it

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What Phil and Joan did: Staging (or Not) and Resulting Schedule

☒ We staged at strong advice of Agent

- Fortunately, did not require painting or new carpets
- Agent offset her fee by contributing to the staging
- Schedule
 - Day 0 Friday New House closed
 - Day 1 Saturday, we moved into new house, old house vacant
 - Day 3 Monday: carpets cleaned
 - Day 4 Tuesday: curtain valences and lite fixtures removed, changed wall plates
 - Day 5 Wednesday: stager brought in all new furniture
 - Day 6 Thursday: Brokers Open House
 - Days 8,9 Weekend: Public Open House
 - Day 12 Wednesday offers received
 - Day 14 Friday Best offer accepted (7 day close)
 - Day 21 Friday Old House closed

Note 21 days between new house close and old house close

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What Phil and Joan did: Inspections/Disclosure Choices

☒ **Seller conducts Inspections**

- Full Disclosure of all report findings
- Inspection Costs paid by Seller
- We chose which items to fix, and which to leave for buyer

☐ **Seller lets Buyer conduct Inspections**

- Costs paid by Buyer
- High risk of renegotiation if serious \$ issues found

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What Phil and Joan did: Mover Choices

- ☒ We packed small nonfragile stuff, movers came early and packed rest, one day move upon close of new house
- ☐ We Pack everything except furniture, movers do rest
- ☐ Movers pack everything

DOWNSIZING

EXPERIENCE OF KIRK & JOAN BEALES

**TEN YEARS AGO, MY WIFE AND I SOLD
OUR HOME OF NEARLY 50 YEARS AND
MOVED INTO A CONDO .**

**WHAT FOLLOWS IS A DESCRIPTION OF
WHAT WE DID AND THE DECISIONS
WE MADE ABOUT WHAT TO KEEP AND
WHAT TO DISPOSE OF.**

FACTORS

- **HOW MUCH SPACE WOULD WE HAVE IN OUR NEW HOME?**
- **WHAT WOULD THE LAYOUT BE, AND HOW WOULD THAT IMPACT OUR DECISIONS?**
- **WHAT DID WE REALLY NEED TO TAKE?**
- **AFTER 50 YEARS, WE HAD ACCUMULATED A LOT OF STUFF, MUCH OF WHICH WE SHOULD PROBABLY HAVE DISPOSED OF EARLIER – BUT DIDN'T, PERHAPS OUT OF LAZINESS OR PERHAPS BECAUSE WE DIDN'T NEED THE SPACE IT OCCUPIED.**
- **OUR LIFESTYLE HAD SIMPLIFIED. WE NO LONGER ENTERTAINED LARGE FAMILY OR OTHER GATHERINGS, AND WE NO LONGER ENGAGED IN SOME SPORTS OR OTHER ACTIVITIES THAT WE HAD EARLIER ENJOYED.**
- **WHEN SHOULD WE DISPOSE UNWANTED ITEMS, HOW, AND WHERE TO?**

SPECIAL CIRCUMSTANCES

- **WE WERE MOVING INTO A SENIOR COMMUNITY WHICH WOULD PROVIDE SOME SERVICES THAT WE HAD ALWAYS TAKEN CARE OF OURSELVES.**
- **FOR THOSE MOVING INTO A SMALLER HOUSE, CONDO, OR APARTMENT, NOT INTO A COMMUNITY LIKE OURS, THE CIRCUMSTANCES WOULD BE DIFFERENT.**

SPECIFICS

- **WE OBTAINED FLOOR PLANS OF THE VARIOUS SIZED CONDOS THAT WE MIGHT BUY. WE THEN MADE SCALE DRAWINGS OR SKETCHES OF THEM THAT MY WIFE PLAYED PAPER-DOLLS WITH, PLACING MOCK-UPS OF THE FURNITURE THAT WE OWNED IN VARIOUS ROOMS TO SEE WHAT WOULD FIT.**
- **WHEN WE SOLD THE HOUSE, WE KNEW THAT THE BUYER WAS A SINGLE DAD WITH CUSTODY OF HIS TWO SONS WHO HAD NEVER OWNED A HOUSE BEFORE. THAT MEANT THAT WE COULD LEAVE SOME UNWANTED ITEMS BEHIND THAT HE MIGHT FIND USEFUL.**

ROOM-BY-ROOM

- **MASTER BEDROOM:** WE TOOK ALMOST ALL THE FURNITURE AND ONE TABLE LAMP. DISPOSED A SECOND TABLE LAMP, A HANGING MIRROR, AND AN OLD DRESSER INSIDE THE CLOSET
- **GUEST BEDROOM:** WE TOOK TWO DRESSERS AND ONE TWIN BED (LATER REPLACED WITH A GOOD QUALITY HIDE-A-BED). DISPOSED THE SECOND TWIN BED AND TWO TABLE LAMPS-
- **DEN:** WE TOOK THE COMPUTER DESK AND CHAIR AND A STANDING LAMP. BUILT-IN BOOKCASE OBVIOUSLY LEFT BEHIND. WE LATER BOUGHT TWO SMALL BOOKCASES.
- **LAUNDRY:** WE LEFT THE WASHER AND DRYER SINCE THE CONDO CAME WITH AN OVER/UNDER SET. TOOK THE IRON AND A SMALL TABLE-TOP IRONING BOARD. DISPOSED THE FREE-STANDING IRONING BOARD .
- **LIVING ROOM:** NOTHING WENT WITH US. WE LEFT A LARGE (9-FOOT) SOFA FOR THE NEW OWNER AND BOUGHT A SMALLER ONE. BOUGHT A SMALL COFFEE TABLE IN PLACE OF THE LARGE ONE. DISPOSED ALL THE OTHER FURNITURE .
- **FAMILY ROOM:** NOTHING WENT WITH US. A TABLE AND FOUR CHAIRS WENT TO OUR NEPHEW. THE ROOM HAD BUILT-IN CABINETS AND A DESK WITH FILE DRAWERS, SO WE HAD TO BUY A FILE CABINET AND AN ENTERTAINMENT CENTER TO ACCOMMODATE OUR TV AND HIFI EQUIPMENT. DISPOSED THE HIDE-A-BED SOFA, A COFFEE TABLE, AND A RECLINING CHAIR.
- **DINING ROOM:** THE LARGE TABLE WITH EIGHT CHAIRS WENT TO OUR DAUGHTER. DISPOSED THE SIDEBORD .

OTHER AREAS AND CATEGORIES

- **GARAGE:** THE TWO-CAR GARAGE HAD BEEN REDUCED TO ONE-CAR AS WE ACCULULATED STUFF. LEFT A SMALL FREEZER FOR THE NEW OWNER AND DISPOSED OF SEVERAL METAL SHELVING UNITS. A LOT OF STUFF WENT TO THRIFT SHOPS OR INTO A DUMPSTER.
- **PATIO:** WE TOOK TWO CHAIRS AND A SMALL TABLE FOR OUR CONDO DECK. DISPOSED OTHER FURNITURE . LEFT TWO BBQS (WEBER AND GAS) BEHIND SINCE WE COULDN'T USED FIRED EQUIPMENT ON OUR CONDO DECK.
- **GARDEN TOOLS:** WE TOOK A TROWEL AND HAND SNIPS (WE COULD HAVE PLANTERS ON OUR DECK). EVERYTING ELSE WAS LEFT BEHIND.
- **OTHER TOOLS:** WE TOOK A FEW SCREWDIVERS, HAMMER, 1/4-INCH DRILL. PLIERS AND CHANNEL LOCKS. OUR SON TOOK SEVERAL ITEMS AND WE LEFT THE REST FOR THE NEW OWNER.
- **PAINTING SUPPLIES:** TOOK A 1-1/2-INCH BRUSH AND AN ARTIST'S BRUSH FOR TOUCH-UP PURPOSES (AFTER THE CONDO WAS REPAINTED, THE CONTRACTOR LEFT US THE UNUSED PAINT THAT WE HAVE SINCE USED TO COVER DINGS, ETC.). ROLLERS, TRAYS, & LARGE BRUSHES EITHER WENT TO OUR SON OR INTO THE DUMPSTER.

WHERE STUFF WENT:

- **FAMILY, ALTHOUGH OUR CHILDREN ALREADY HAD FURNISHED HOMES SO THEY DIDN'T NEED MUCH**
- **CONSIGNMENT STORES – FOR THE BETTER-QUALITY FURNITURE AND FURNISHINGS**
- **THRIFT STORES – FOR LESSER-QUALITY ITEMS**
- **DUMPSTER – FOR JUNK**
- **DRIVEWAY – A WHEELBARROW AND AN OLD DRESSER WERE PUT IN THE DRIVEWAY WITH A SIGN SAYING “FREE” – THEY DISAPPEARED QUICKLY**

WHEN WE ACTED:

- **WE KNEW MONTHS AHEAD THAT WE WOULD BE MOVING SO WE STARTED EARLY**
- **ONCE WE BOUGHT THE NEW CONDO, AND BEGAN MAKING CHANGES TO IT, WE COULD BEGIN MOVING SOME SMALL ITEMS AND DISPOSING OF ITEMS WE WOULDN'T KEEP**
- **AS WE NEARED MOVE-OUT DAY, WE SPED UP THE PACE OF DISPOSALS**

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Comments from audience during Q and A (in no particular order)

- Concern was raised if one could really borrow from an IRA, but several people said yes it could be done
- If a spouse dies, the cost basis of the house rises to the current market value (not just half the house value but the full house value)
- In California, you can carry over your old house property tax to the new house if new house prop tax at the buying price is higher than old house prop tax. However, it may require paying the higher prop tax now and then getting the refund later
- For purging, look for companies that are willing to dispose of all the items you can't take. They take pix of everything first to estimate value
- The "Google Lens" app for smart phones provides value of any art or other object

THANKS:

Phil and Kirk appreciate your time and hope this was of benefit