

**MOVING & DOWNSIZING** – When retiring many older Americans are choosing to move to smaller homes and downsize. At any age moving is a stressful experience, and downsizing for retirement carries unique challenges. Downsizing involves and includes letting go of 60 to 80 percent of the belongings that took you a lifetime to accumulate. However, some advantages include

Less expensive housing is an easy way to increase your budget and your retirement savings.

Selling your home and moving to a less expensive home can increase your cash and nest egg. The money from selling can be spent slowly on a smaller mortgage or rent increasing your available cash.

A smaller mortgage. A home in a less expensive market or a smaller home, with a lower monthly mortgage payment, can give your budget room to breathe.

Less cleaning and maintenance for you. A newer smaller home will likely need fewer repairs, less cleaning, less landscaping and have overall lower upkeep costs than an older home.

Lower Utility Bills: Higher efficiency, smaller spaces and fewer rooms mean lower utility costs. If you're moving to a home with newer windows or energy efficient appliances, you may save even more.

**PLAN YOUR FUTURE HOUSING** before you decide to sell.

1) Do you want to obtain a new home by taking out a mortgage, paying for it in cash, or renting? Evaluate your options.

2) If you are thinking of taking out a mortgage, talk to your lender BEFORE you retire. Generally lenders make loans based on your INCOME, NOT YOUR SAVINGS. While you may have plenty of savings, once retired you may have very little income. A lender may be hesitant to loan to you because your income is too low. This is particularly relevant if retiring prior to collecting social security or if social security will be your only income.

3) If you are thinking of buying your new home in cash, moving the equity from your existing home to a new home, consider the timeline.

a) Can you buy the new home from your savings, or do you need to sell the old home first? Will you need to make offers contingent of the sale of your old home to buy the new home?

b) Do you have 401k you can temporarily partially liquidate? If so, how long do you have before you have to replace the money into your 401k without tax consequence? Be aware that money will be out of your 401k and “locked up” in the new home until you sell your old home to replace it into the 401K. Talk to your investment and tax persons about this.

c) Are you going to continue to live in your old home while marketing it? That works fine, but generally you and ALL OF YOUR Belongings must be gone the day of closing. Have a plan for where you and your belongings are going? Storage? New house? Rental?

4) If you have a lot of equity in your existing home but little other cash and perhaps don't want to move at all but may need the cash for your retirement, you may want to look at “reverse mortgages” To free up cash. We at Atomic Realty are not lenders so please contact a lender and do research as to whether these work for you.

5) Renting - If you retire and want to downsize but are not 100% sure the new locale is your last redoubt, perhaps renting makes sense. Many of us want to move close to family. However, if the kids move away or you lose other family members that you just moved close to, are you sure you want to stay there? If not, consider renting. If you have retired but do not want to spend that large amount of cash you receive from your old house, renting may be a good option.

If you would like to see a reprint of this column or any past article please go to the AtomicRealty.net webpage and look under the FAQ tab.

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