



Preparing for Retirement Living: How to Navigate Finances and Downsize to the Right Size Home



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Introduction

If you are a new retiree or someone getting close to retirement, you are probably looking forward to leaving the working world behind. And to finally have the time and freedom to travel, pursue hobbies, and spend the days as you would like. For most older adults, one consideration is whether it makes good sense to remain in the same home.

Many seniors come to realize that maintaining a house can be a drain on your time, energy, and finances. The responsibilities of home ownership may hold you back from living the retirement of your dreams. While the emotional side of giving up a house you've lived in for years might be difficult, it can also be liberating.

For today's seniors, the options for where to live during retirement are plentiful. The choices people seem to consider most often are transitioning to a senior living community, moving to a smaller home or condominium, or aging in their current residence.



Inside this Guide

Inside this guide, we offer tips on a variety of topics relating to the downsizing process. And we also share suggestions for making an informed decision. One that will accommodate your current needs, as well as the changes that often occur with aging.

Along with this helpful guide, we created a video, [Preparing for a Move](#), to address some of the issues that commonly come up. Both will be useful as you navigate this transition.



Evaluate Your Current Living Situation

Planning for future housing needs might be a tough exercise for people to complete objectively. If you are living in a house where you raised a family or one you've called home for decades, there is likely an emotional attachment to the residence. It might help you assess your or a senior family member's situation if you break your evaluation down by categories:

Safety Factors: If your residence is one you've called home for a decade or more, chances are good that it wasn't designed with the needs of older adults in mind. Stairs and bathrooms can be especially problematic as you grow older. As can poor lighting, long hallways, and narrow doorways. Because falls are the leading cause of serious injury among seniors, one's living environment is an important consideration.

Budget Considerations: There's a misconception that aging in place at home is less expensive than moving to a senior living community. Even if a mortgage is paid in full, there will be expenses. When comparing one option to another, know that some costs are included in the base monthly fee of a senior living community, such as utilities, meals, fitness programs, housekeeping, and transportation. Aging in place typically requires home modifications and the support of a professional caregiver. So, keep that in mind as you plan.

Home Maintenance/Repairs: Another factor to take into consideration is how you will handle ongoing maintenance and repair issues as you grow older. Even simple tasks like climbing a ladder to change a light bulb can be dangerous. As you contemplate your future living situation, you'll want to consider if you have loved ones nearby who can provide assistance and how much. If not, will your budget extend to paying for outside help?



Location and Transportation: How close you are to medical centers and physician offices, as well as grocery stores and other conveniences, becomes more important as you age. While some seniors prefer to give up driving completely, others just limit how far from home they go. Be sure to explore transportation options near your home as part of planning for your future needs.

Health Care: Finally, remember to think about and budget for in-home care if you are considering aging in your current house. You'll likely find a variety of home care options at different price points. Older adults often require assistance with medication management and meal preparation. Some might even require support with bathing, dressing, and other types of personal care.

What Do You Want Your Future to Look Like?

Equally as important as evaluating where you currently live is to look to the future. Many people are so busy working and raising a family that they don't have much time to think about their future prior to retiring. As you are considering where you will live as you grow older, ask yourself some basic questions:

Reflect on the retirement hopes you have for yourself. Are there hopes and dreams you had to postpone when life got too busy? For example, did you always want to take trips, either domestically or internationally, for a month or more at a time? Or maybe it was having days free to write your biography or explore your family history? If you've never done so, write a vision statement for how you want your retirement to look.



Does your current home allow you to live your dreams? If you remain in your house during retirement, will it allow you to do the things you have always dreamed of doing? For some, it's a viable option, though one that will likely require hiring in-home caregivers and making modifications to the house. But for other retirees, their current home will be a burden that holds them back. Reasons why range from too much maintenance and upkeep—both in terms of time and money—to not being safe. Be honest with yourself as you work through this part of your decision.



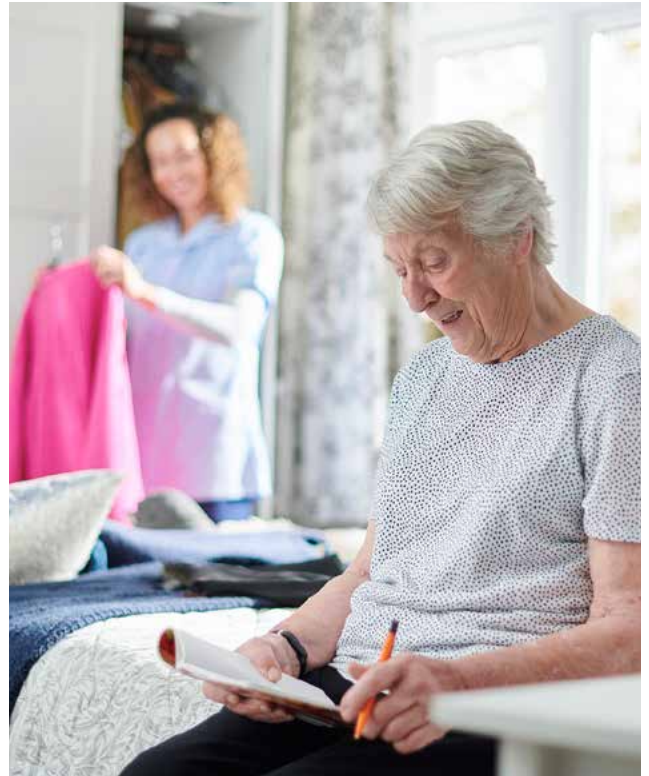
Explore Popular Retirement Living Options

Rightsize to a Senior Living Community: While you may be familiar with the term *downsizing*, aging experts often suggest thinking of this process as *rightsizing*. It's the idea that an older person can improve their quality of life by relocating to a setting that best supports their health and success. For many, that is a [senior living community](#). These offer active seniors the freedom and flexibility they desire, as well as the peace of mind that comes from knowing additional care and assistance are available should the need arise.

Relocate to a Condominium/Smaller Home: Another option is to move from a larger home, where you may have raised a family, to a smaller house or condominium that is more senior-friendly. While this might not be a permanent solution, it could be a short-term option for newly retired adults. It could free up some of the home's equity to allow for traveling and other retirement hobbies, while also relieving the senior from the burdens associated with owning a large home.

Age in Place in a Current Home: For those who decide to remain in their existing house as they grow older, there are a variety of service providers that can support that decision. Companies that specialize in home modifications can help widen doorways, build ramps, and create barrier-free showers. Home care agencies can assist with bathing, dressing, housekeeping, provide medication reminders, and more.

For many people, the final decision often comes down to two choices—stay in their current home or move to a senior living community. Finances and the cost of each option frequently play a central role in making this choice.





Compare Cost of Aging in Place Versus Moving to a Senior Community

While it might seem as if staying in your home once the mortgage is paid is the least expensive choice, the reality is often different. When you combine all of the expenses, these two options might be fairly similar in price. Here are a few factors to be mindful of as you make this comparison:

Home Care Combined with Home Modifications: Combining the support of a home care team with alterations to a house can make aging in place safer. For those who don't want to move, this can be a viable option if they have the financial resources to support it. In-home caregivers can help with grocery shopping, meal preparation, transportation to and from doctors' appointments, and personal care.

The high cost of home modification may also need to be considered. Common changes that might need to be made to a home that isn't designed for older adults and aging in place include:

- Bathroom renovations
- Creating wider doorways to allow wheelchair access
- Ramps and lifts
- Grab bars
- Monthly fees for emergency call alert systems

These expenses can obviously vary greatly depending upon where you live.

Maintenance-free Lifestyle and Support in a Senior Living Community: There's no denying the convenience and peace of mind offered by senior living communities. By choosing to make a move early in retirement, when you are healthy and active, you'll have freedom and flexibility to live life on your own terms. Not to mention opportunities to socialize and join in a variety of on-campus activities and outings.

In moving to senior living, you'll make worries about appliance repairs, lawn care, snow removal, or tracking down contractors to replace the roof or furnace a thing of the past. Transportation services are also standard at many communities. Later, if your needs change, you'll be able to easily access more services and support. Everything from medication management to meals and personal care will be available.

How Where You Live Impacts Wellness: There are more costs to consider when making this decision than just the financial ones. The cost of well-being should also be a concern that tops your list. There's plenty of research now that shows isolated and lonely older adults are more likely to develop health problems. Obesity, high blood pressure, depression, and heart disease are just a few.

The unique social opportunities found in senior living communities typically means people spend less time alone and more time engaged in meaningful activities. Residents also have a chance to build new friendships, often with peers who share similar backgrounds and interests. That's tough to do when a person opts to age in place at home.



For many families, misconceptions about the cost of senior living keep them from exploring their options. Fortunately, in addition to affordable senior housing communities, there are financial programs and tax benefits that can help make moving to a senior living community possible.



Programs to Help Finance Senior Living

If you aren't already familiar with them, each of these suggestions can supplement a family's private funds to finance the transition to a senior living community.

Short-term Bridge Loans: For many people, a house is their largest asset. The proceeds from the sale of it are needed to help pay for a person's move to a senior living community. In many cases, it's easier for the homeowner to move and then sell their home. To make that possible, people can apply for short-term bridge loans. There are companies, such as Elderlife Financial and Second Act Financial, that have experience working with people who are moving to senior living communities. These types of loans allow the applicant to borrow money from the equity in their home. Some programs even allow borrowing against other investments. Once the asset is sold or liquidated, the bridge loan can be paid.

VA Aid and Attendance Benefit: Designed to make senior care affordable for veterans and their spouses, this program can be used to pay for assisted living, home care, and more. Veterans or surviving spouses who qualify might be eligible for \$1,432 to \$2,462 a month.

Long-term Care Insurance: Families often overlook a senior's long-term care insurance as a method of helping to finance home care or assisted living. Many policies, however, cover more than just nursing home care. If you or your loved one have a policy, review it to see if the coverage extends beyond long-term care.

Life Settlement Funds: Seniors sometimes have a life insurance policy they've carried for many years. Once the children are grown and gone, these policies may no longer be a necessity. This is where life settlement companies come in. They will purchase the policy at a rate greater than the surrender value. The funds can then be used to help pay for senior living.



Tax Considerations to Investigate

When you are budgeting and planning for retirement, it's also good to know there may be tax issues to consider. Because [Presbyterian Senior Living](#) (PSL) is a not-for-profit organization, there may be tax benefits and strategies that can save you money.

Some Senior Living Expenses May be Deductible: Depending on the person's type of senior housing, a portion of the monthly fees may be considered medical care and tax deductible. Another potential deduction is if family members help finance senior living and their loved one meets the criteria to be considered a dependent. The PSL team or an experienced tax accountant can help you explore this option in more detail.

Know How to Minimize Capital Gains Tax on Sale of Home: When you sell your home, or highly appreciated assets to pay for your entry fee, there are ways to minimize the impact of capital gains. For example, if you've lived in your home 2 of the past 5 years, you can exclude \$250,000 of capital gains if you are single, or \$500,000 if you are married. If your gains will be higher, or you will incur any gains from the sale of other assets, PSL can offer you tax-savings ideas to discuss with your own advisors.

Tax Benefits of a Charitable Gift Annuity: If you choose a not-for-profit senior living community, like PSL, recent legislation permits you to make a one-time, qualified charitable distribution (QCD) of up to \$50,000 directly from your IRA to PSL in order to establish a new charitable gift annuity (CGA). It gives you a way to reduce your overall IRA value and generate lifetime income all while helping to support your senior living community's future.

Because the team at PSL knows about and understands these tax benefits and strategies, we can offer you help during this transition.

Utilize Relocation Experts



If you are like many families, the process of figuring out where and how to start preparing for a move is daunting. Some even say they've delayed exploring their options because the prospect of downsizing and relocating feels so overwhelming.

Role of a Senior Move Manager: This group of professionals will be helpful if you or your senior loved one opt to relocate. They have experience in all aspects of senior transitions from interviewing and booking a moving company to sorting belongings in the attic and basement. Use the [Find a Senior Move Manager](#) feature on the National Association of Senior & Specialty Move Managers website to find an expert in your area.

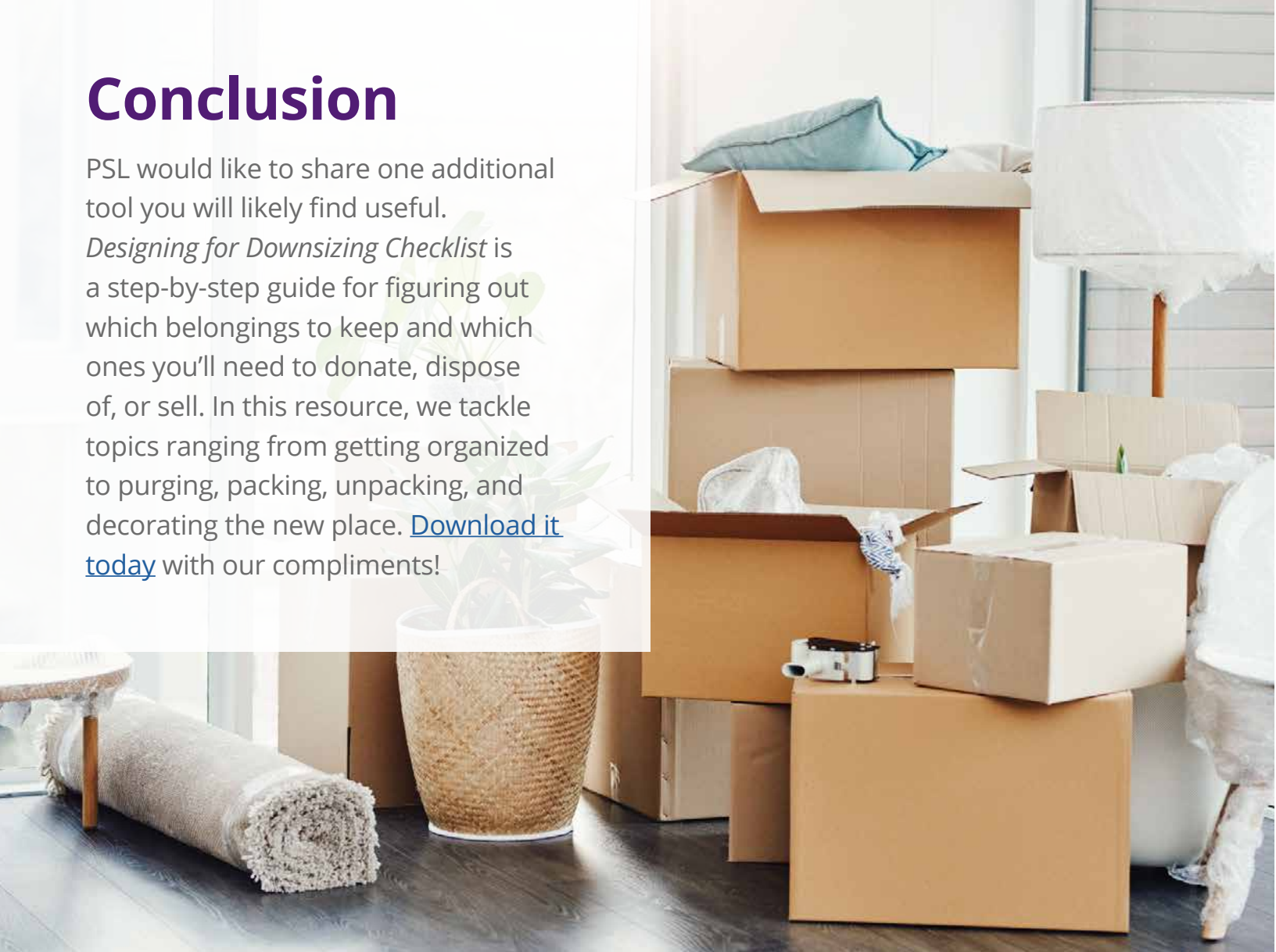
Senior Real Estate Specialist: Selling a place you've called home for many years can be physically taxing and emotionally challenging. The National Association of Realtors offers a certification that realtors can obtain if they'd like to specialize in this area of home sales. Known as [Seniors Real Estate Specialist® \(SRES®\)](#), you might want to consider finding a realtor who has earned this designation to support your family through this process.

It is our hope that this information makes you feel more confident as you plan and prepare for retirement living.

Conclusion

PSL would like to share one additional tool you will likely find useful.

Designing for Downsizing Checklist is a step-by-step guide for figuring out which belongings to keep and which ones you'll need to donate, dispose of, or sell. In this resource, we tackle topics ranging from getting organized to purging, packing, unpacking, and decorating the new place. [Download it today](#) with our compliments!



Schedule a Visit to a PSL Community

The best way to learn more about the services, amenities, programs, and mission of a senior living community is by visiting in person. We invite you to call the PSL community nearest you to schedule a visit today!



PRESBYTERIAN
SENIOR LIVING

One Trinity Drive E., Suite 201
Dillsburg, PA 17019

717.502.8840

www.psl.org

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Community List