



28 November, 2022



Downsizing

Advantages & Disadvantages Of Property Downsizing For Retirees

Downsizing during retirement can help you reduce costs and put some more money in your pocket so that you feel more secure about your finances during retirement.

Downsizing by selling your property has advantages and disadvantages, which you should evaluate before making this decision.

Advantages

- **Increased cash flow:** Downsizing should reduce your mortgage payments and free up extra money to invest or spend. This will give you more flexibility with your money in your retirement years.
- **Easier to maintain:** A smaller house takes less effort and is easier to clean and maintain. Approaching retirement, you may want to reduce the amount of time you have to spend cleaning your house so that you can participate in other activities.
- **More convenient:** A new house will mean that you can choose a layout, fittings, locations and services that are more suited to your updated needs. While your old house might be close to schools, you may want to opt for a house that is closer to a recreational centre or the city centre (for accessibility to shops and services).
- **Lower insurance and utility bills:** A smaller home generally costs less. Both in terms of insurance, and also in terms of upkeep and maintenance (such as heating and cooling).

Disadvantages

- **Less space:** A small house means that you have less storage for things. You might have to make some difficult decisions about letting go of your possessions. Alternatively, you could consider leasing a storage space - although this would cost extra money.
- **Less flexibility:** There may be less privacy due to fewer or no guest rooms or less space for entertainment. If you regularly have many guests coming over, this might make downsizing unideal.
- **New neighbourhood:** Getting comfortable in your new suburb might be difficult. You might have to check out your neighbourhood before and after moving into the new place.
- **Emotional connection:** A family home is full of memories and there is a strong connection with it. This can make it difficult to let go.

Eligibility

From 1 July 2022, eligible individuals aged 60 years or older can choose to make a downsizer contribution into their superannuation of up to \$300,000 per person (\$600,000 per couple) from the proceeds of selling their home.

For downsizer contributions made before 1 July 2022, eligible individuals must still be aged 65 years or older at the time of making their contribution

On 3 August 2022, the Treasury Laws Amendment (2022 Measures No. 2) Bill 2022 was introduced into Parliament. In this, the Government has proposed that the downsizer eligibility age be further reduced to the age of 55 years. This measure is not yet law.

Downsizing has financial benefits, but it does come with emotional costs and is a fairly significant decision to make. It may not be a solution for everyone, but it is one that you should consider carefully. It is important to discuss the implications with your advisor and, perhaps also, your family members before determining how you will proceed.

Disclaimer for External Distribution Purposes:

The information contained in this publication is for general information purposes only, professional advice should be obtained before acting on any information contained herein. The receiver of this document accepts that this publication may only be distributed for the purposes previously stipulated and agreed upon at subscription. Neither the publishers nor the distributors can accept any responsibility for loss occasioned to any person as a result of action taken or refrained from in consequence of the contents of this publication.