

THE GOOD LIFE

THINK OF DOWNSIZING BEFORE RETIREMENT



Brooke Williamson

The decision to downsize can be a multifaceted one.

An empty nest, a desire for a lifestyle change, an inability to maintain a large home or garden or ill health may be important factors.

And of course, finances can also be a pressing reason for selling the family home and for relocating.

According to a report on downsizing prepared by the Australian Housing and Urban Research Institute (AHURI) in 2014, financial motivations were of importance to downsizers, and for many, financial gain was a more common motivation than financial difficulty.

Financial adviser James Walker-Powell from More4Life Financial Services says many people are mistaken at how profitable downsizing will be.

“People have a vision that they will downsize and make heaps of money and they’ll have the arbitrage to fund their retirement, but most people want to stay in the same area and sometimes that is very hard,” he says.

James says the key is to downsize before the age of 65 and retirement, and to put the proceeds into superannuation.

“Before 65, you can make non-concessional contributions up to

\$540,000 into super but over 65 you have to meet a work test and the maximum you can put in is \$180,000 non-concessional on top of a concessional contribution of \$35,000,” he says.

James also advises that being financially independent and able to support themselves is the “best thing you can do for your kids and the worst thing is giving them handouts”.

He says downsizing is a good move, especially when the family home requires lots of maintenance.

“You don’t want to be walking around a house where the upkeep is your life,” he says.

“Having a five-bedroom house and

having four empty bedrooms is not what you want.”

According to the AHURI Report, there was consensus that if more age-friendly and accessible dwellings in desirable locations and existing neighbourhoods were made available for older people, downsizing rates would increase accordingly.

It was also widely recognised that these issues needed to be addressed across the broad spectrum of housing, planning, economic and ageing/care policy in order to make a real difference.

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