



# Considerations when downsizing your home

If you're thinking of downsizing your home before or during retirement, there are a number of factors to think about, from super contributions to Age Pension entitlements.

Retirement can be an exciting new chapter, offering you the chance to fulfil those travel dreams or focus on a hobby. If you're one of the Aussies who owns their home outright, you might be thinking of downsizing your property – selling the family home and purchasing a cheaper, usually smaller dwelling – to help those dreams become a reality.

But downsizing isn't simply a matter of packing up and moving house. Here are a few things to consider when deciding if it's right for you.

## Motivations for downsizing

A recent survey from the Australian Housing and Urban Research Institute<sup>i</sup> indicates that more than half of Australians aged 55 and older have either downsized or thought about doing it. Their main motivators are made up of both lifestyle and financial reasons<sup>ii</sup>.

### For example:

- The property may be worth a lot of money and downsizing releases some of the capital tied up in a long-held home freeing up cash.

- It provides a more modest space to maintain and insure, rewarding downsizers with additional time, money and resources.
- A smaller home could mean a change of pace that better suits changing needs.

There may be implications for your Age Pension entitlements if you sell your home, so check with us to understand your eligibility requirements.

## Cash from the sale to top up super

Depending on your financial situation and goals, some of the money from the sale could be added to your super. If you've owned your property for 10 years or more, you may be able to contribute up to \$300,000 from the sale of your family home into your super<sup>iii</sup>, without having to satisfy the usual work test requirements and without affecting your annual contribution caps.

## Don't forget about the costs of moving

While downsizing can free up capital, some of the cash you receive from the sale of your property may be needed for the cost of moving, so factor in legal and real estate agent fees, and removalists. Another important consideration is stamp duty, which is a tax on the total value of the property you buy. The percentage that's payable varies from state to state. AMP's stamp duty calculator can help.

## Lifestyle considerations before downsizing

Apart from the financial considerations, there are lifestyle factors that could affect your decision to downsize:

- Moving to a smaller home may mean less maintenance, but it could also give you less flexibility in terms of family being able to stay, or storage space.
- Your existing home may be close to family and friends, so if you're planning to change location it may affect your day-to-day life.
- Leaving a family home behind can be emotionally challenging as it's likely to have been a place with many special memories.

## Other options for retirement living

Purchasing another, smaller home isn't the only option for retirees. You may be considering moving to a retirement village or even aged care, depending on your needs. These will have different costs or fees to purchasing a standard property.

Downsizing in or leading up to retirement isn't always straightforward, so speak to us about the best options for your circumstances.

<sup>i</sup> Australian Housing and Urban Research Institute, The University of Sydney (2019): Moving, downsizing and housing equity consumption choices of older Australians.

<sup>ii</sup> Australian Housing and Urban Research Institute, The University of Sydney (2020): The Downsizing Patterns and Preferences of Australians Over 55.

<sup>iii</sup> Australian Taxation Office: Downsizing contributions into superannuation.