



# **Pioneer Bank & Trust**

## **Trust & Investments**

### **Local.**

704 7th Ave, PO Box 729  
Belle Fourche, SD 57717-0729  
Phone (605) 892-3494  
Fax (605) 892-2115

2001 W Omaha St, PO Box 9189  
Rapid City, SD 57709-9189  
Phone (605) 341-2265  
Fax (605) 341-7425

140 E Jackson Blvd, PO Box 10  
Spearfish, SD 57783-0010  
Phone (605) 642-2725  
Fax (605) 642-1736

## Rent or Own?

In 2009 the average age of a home seller was 46. Last year, according to the National Association of Realtors, it was 54. *The Wall Street Journal* reports a notable increase in the number of older renters. There were an estimated 7.5 million renters age 55 and older in 2005, and about 10.8 million in 2015.

Those changes are not just the result of the continued aging of the baby-boom generation. They are a sign of empty nesters who are making adjustments to their living arrangements in anticipation of their retirement. In some cases, they are choosing to rent rather than own.

### **Unlocking the equity**

For those who have not saved enough for retirement—and even many who have—the appreciation in the value of one's home may make a welcome addition to the nest egg. Special tax provisions for homeowners encourage sales, as the first \$250,000 of gain is tax free (\$500,000 for married couples filing jointly, in most cases).

After a sale to allow a move to smaller retirement quarters comes the decision to rent or own. Renting can be a short-term decision, as leases generally are year to year. Renting an apartment leaves more money in the portfolio to earn more income or to cover additional retirement expenses. With a rental the chores of lawn care, snow removal and repairs are taken care of by the landlord, making retirement living more worry free.

On the other hand, as rents rise in the future, there is no offsetting appreciation in the value of the residence to provide a cushion. Those who have unlocked their equity need to husband some of that gain to cover future increases in the cost of living.

### **Downsizing**

Some experts advise those selling before retirement to invest their proceeds in a smaller home that they can own debt free, and bank the difference. Debt free does not mean expense free, however. One rule of thumb suggests that taxes, insurance and maintenance will come to 3% of a home's value. For a \$500,000, home that comes to \$15,000 annually, or \$1,250 per month.

Another important consideration is the desire to age in place. What renovations might be needed to keep the residence accessible and livable as one becomes somewhat infirm with age? Grab bars, walk-in tubs and doors wide enough to accommodate wheelchairs are among the considerations.

In the words of the sage, "Getting old is not for sissies."

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