

Downsize your life

The traditional, and still the best, way to release equity from your home in retirement is to sell it and downsize, says **Teri Harman**

TOO FEW houses are coming on to the market, fuelling record price rises, and there's a particular dearth nationwide of family-sized homes, according to the RICS (Royal Institute of Chartered Surveyors). The government would like older people to downsize to free up larger houses for younger families. Boris Johnson, Mayor of London, where the shortage is particularly acute, has even made the welcome suggestion that older people who sell up their home to downsize should be exempt from paying Inheritance Tax on their profit and from Stamp Duty on their new home.

Older single pensioners or couples living in large houses shouldn't be pressurised into moving if they don't want to, but more than a third (38 per cent) of over-55s do plan to downsize, according to research by Prudential – and if you're thinking about doing this, now could be the ideal time.

The International Longevity Centre – UK (ILC-UK) estimates housing equity owned by the population aged 65 plus is an eye-watering £1.4 trillion, or £122,000 per person on average. In households with a deceased partner, ICL-UK says home equity could be twice this.

Key Retirement Solutions, the specialist in over-55s

financial issues, monitors the housing wealth of the over-65s. Its latest research suggests over-65 homeowners now own property wealth of a slightly more modest £807.249bn outright, but adds that retired homeowners saw their property wealth grow by more than £6.3bn in the three months to May, as house prices across most of the UK rose.

Unsurprisingly, retired homeowners in London were the biggest winners, gaining nearly £10,700 on average each in the past three months, while those in Eastern England are more than £4290 better off and pensioners in the South West are £2283 better off.

There are big regional differences – over-65 homeowners in Wales saw their average property wealth fall by nearly £5000 in those three months while Scottish pensioners lost nearly £3900.

However, for readers who have been property owners for several years, especially those who have no mortgage, their home is probably their biggest financial asset.

For those struggling to pay their bills or not managing extras such as holidays, there are potentially big savings to be made in downsizing – savings that could make all the difference for a comfortable retirement.

FINANCIAL IMPLICATIONS OF DOWNSIZING

Once the initial costs of selling and buying a new home and moving have been paid, there are potentially large savings to be made by living in a smaller property.

Council Tax

Moving to a smaller home within the same borough will mean a reduction in your Council Tax, but moving to a less expensive part of the country may actually mean you pay more in Council Tax. This is due in part to the fact that Council Tax bands are based not on a property's value today, but on what it was worth back in April 1991 (2003 in Wales), and in some parts of the country house price inflation has been much greater since then than in others. Also Council Tax rates are set locally with no national uniformity.

For example, if you downsized in Bristol from a three-bedroom house in the top Band H (homes worth more than £320,000) to a two-bedroom apartment in Band F (worth between £120,001 and £160,000) your Council Tax would go down by just over £900, from £3257 to £2352 a year.

However, if you lived in the London Borough of Wandsworth you could occupy a top Band H home and the Council Tax would be only £1357 a year. (Figures for 2014/15 to the nearest £.) You can find out what the Council Tax bands are in different parts of the country on the website: (www.gov.uk/council-tax-bands) where you can also challenge your banding.

Remember, too, that if you live alone you can receive a 25 per cent discount on your Council Tax.

Energy costs

According to research by retirement house builder McCarthy & Stone, downsizing from an older property to a new-build apartment could save you up to £1400 a year in energy bills. The company used an independent, qualified assessor to compare the energy efficiency and estimated cost of fuel bills for

two properties – a three-bedroom semi-detached house built in the early 1900s and a brand-new typical one-bedroom apartment. The results showed energy costs totalled around £1935 a year in the older property compared with just £521 in the new home. Carbon dioxide emissions from the older property were also nearly four times higher than those of the new-build.

Obviously a smaller property should cost less to heat, but any modern or newly built home is likely to be far more energy-efficient than an older one, not least because building regulations dictate they include things such as cavity wall insulation and a minimum 270mm of loft insulation, and they are likely to be double-glazed, and have an energy-efficient boiler and low-energy light fittings.

To help homeowners work out just how much they can save on energy bills by moving to one of its retirement developments, McCarthy & Stone has created an online Fuel Savings Calculator: (<http://bit.ly/ESavingsCalculator>). Enter your current annual total fuel bills and the app will calculate your estimated savings.

Renting

One option that many retired homeowners fail to consider is downsizing and renting, partly because as a nation we seem programmed to consider home ownership as the Holy Grail. However, according to research last year by Prudential many retired homeowners are stepping off the property ladder to join the 25 per cent of retirees who already rent.

Brenda and David Sheath: Moved closer to family

Brenda and David Sheath downsized from a four-bedroom detached house in the Wiltshire village of Great Somerford to a two-bedroom McCarthy & Stone apartment in Saffron Walden, Essex.

They hit their 70th birthdays and decided it was time to move closer to family. "It was a three hour drive to visit our son, now he's only 20 minutes away," says Brenda. "We also had to drive to the doctor's or to go shopping; although we loved the village and had lived there for 25 years, it was quite isolated. Now, everything is close at hand."

They had a lot of fitted furniture at their old house which had to remain. "You accumulate lots of things down the years that you don't need", says Brenda. "I systematically went through everything and I didn't find it hard getting rid of things. I found good homes for much of what we were discarding."

They were able to get extra shelving and fitted wardrobes in their new apartment, which meant they could bring the things they most wanted, and they have converted the second bedroom into a study with floor-to-ceiling bookcases.

"We don't need a spare bedroom because we are close enough for family to visit for the day, so we've created a room where each of us can have a quiet read or use the computer," Brenda said. Brenda and



Brenda and David Sheath

David are both keen gardeners but their large garden in Wiltshire had become too much for them and they also had a constant stream of visitors – "lovely but exhausting," she says.

"We're on the ground floor and have a small patch where we can sit out. We've planted some colourful pots but we no longer have the hassle of having to mow the lawn."

We've been here 15 months and are feeling very much at home

However, she says they get their gardening 'fix' by helping their son with his garden. "He's keen but very busy and he doesn't know much about gardening, so he's learning from us."

They also miss their friends but Brenda says they have been back to visit.

"We've made some new

friends here among our neighbours; there's a communal lounge and a weekly social evening."

Brenda is a member of the local church which has meant they've made friends in the wider community not just in the apartment block. "We've been here 15 months and I am feeling very much at home now," she says. "Life moves on – you have to

read the signs that it's time to go with it..."

The Sheaths have benefited financially from the move, too. "It's our Golden Wedding anniversary this year and to celebrate we went on a long and special holiday to New Zealand, which was fantastic," says Brenda.