

Thinking of Downsizing in Retirement? 4 Questions to Ask Yourself First

Many seniors opt to trade in larger homes for smaller ones. But before you go that route, think about whether it really makes sense for you.



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Retirement generally means moving over to a fixed income, and that's a scary prospect for seniors. Many older folks therefore look to [downsize](#) their homes to free up cash for other necessities. In fact, 42% of Americans say they plan to downsize in retirement, according to a survey by TD Ameritrade. If you're thinking of going that route, here are a few important questions to ponder first.

1. Am I struggling to afford my current home?

Seniors are often instructed to downsize once they technically no longer need the space, and that's not bad advice. After all, it stands to reason that it costs less money to [maintain](#) a 1,500-square-foot home than one twice that size.



But before you rush to downsize, think about whether you can actually afford to keep your current property and whether doing so benefits you in specific ways. Imagine your adult kids have moved out, but have also moved across the country. Having a place for them to stay while visiting is certainly more convenient and cost-effective than having them stay at hotels. In that sort of scenario, it might pay to keep your home if you're not actually having trouble paying for it.

2. Will downsizing actually save me money?

The purpose of downsizing is generally to save money. But depending on your goals and circumstances, unloading some square footage alone might not do the trick.

Imagine you're currently spending \$2,000 a month for a 3,000-square-foot home. If the market in your area is hot, you may come to find that a 1,000-square-foot apartment costs you close to the \$2,000 a month you're currently spending. In that case, you might need to move to a less expensive neighborhood to reap the financial benefits you're looking for, which could, in turn, impact your quality of life.

Before you assume that downsizing will be a major money saver, do some research and see if that's really the case. If it isn't, and you like your home, that's certainly an argument for staying put.

3. Can I make money by hanging on to a larger home?

The more space you have, the more feasible it is to rent out a portion of your home. And if you're willing to take in a tenant, paying for a larger property could end up making a ton of financial sense.

Imagine you're able to rent out your finished basement for \$1,200 a month. Even if staying in your home costs you \$600 more on a monthly basis than moving to a smaller space, you're still coming out ahead financially.

4. Will my new space accommodate my physical needs?

As we age, our mobility tends to decline. Before downsizing, think about your health and the difficulties you might face in a smaller space because of it. For example, if you rely on a walker to move about, relocating to a home with narrow entryways might make your daily life more difficult. Similarly, if moving to a smaller home means living someplace with a steeper stairway, you could end up increasing your likelihood of injury -- and that's a risk you don't want to take.