

M3 FINANCIAL PULSE

MAY 2022

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THE MONTH IN BRIEF

April was a challenging month for investors as losses in mega-cap technology companies and high-valuation stocks spilled over to the broader market.

The Dow Jones Industrial Average lost 4.91 percent while the Standard & Poor's 500 Index dropped 8.80 percent. The Nasdaq Composite fell 13.26 percent.¹

1 - WSJ.com, April 30, 2022



FACT OF THE MONTH

Did you know the average real estate listing only spends approximately 32 days on the market? That's a 5-day decrease from last year. And in this red-hot real estate market, **the average sales price is up over 21% year-over-year.** Moreover, the average sales price for real estate is forecasted to continue increasing.²

2 - <https://armls.com/docs/2022-March-STAT.pdf>



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SHOULD YOU DOWNSIZE FOR RETIREMENT?*

Some retirees save a great deal of money by downsizing; others do not...

You want to retire, and you own a large home that is nearly- or fully-paid off. The kids are gone, but the upkeep costs haven't fallen. Should you retire and keep your home? Or sell your home and retire? Maybe it's time to downsize...

Lower housing expenses could put more cash in your pocket. If your home isn't paid off yet, have you considered how much money is going towards your home loan? When you took out your mortgage, your lender likely wanted your monthly payment to amount to no more than 28% of your total gross income, or no more than 36% of your total monthly debt repayments. Those are pretty standard metrics in the mortgage industry.³

What percentage of your gross income are you devoting to your mortgage payments today? Even if your home loan is 15 or 20 years old, you still may be devoting a significant part of your gross income to it. When you move to a smaller home, your mortgage expenses may lessen or disappear, and your cash flow may greatly increase.

You might even be able to buy a smaller home with cash (if finances permit) and cut your tax liability. Optionally, that smaller home could be in a state or region with lower income taxes and a lower cost of living.

You could capitalize on some home equity. Why not convert some home equity into retirement income? If you were forced into early retirement by some corporate downsizing, you might have a sudden and pressing need for retirement capital, another reason to sell that home you bought decades ago and head for a smaller one.

The lifestyle reasons to downsize (or not). Maybe your home is too much to keep up, or maybe you don't want to climb stairs anymore. Maybe a condo or over-55 community appeals to you. Maybe you want to be where it seldom snows.

On the other hand, you may want and need the familiarity of your current home and your immediate neighborhood, not to mention the friends close by.

Sometimes retirees underestimate the cost of downsizing. Even the logistics can be expensive. Just packing up and moving a two-to-three bedroom home will cost about \$1,250 if you are resettling locally. If you are sending it long distance, you can expect the journey to cost around \$5,000, if not more. If you can't sell or move everything, the excess may go into storage, and the price tag on that may be around \$90 a month. In selling your home, you will probably pay commissions to both your agent and the buyer's agent that add up to 6% of the sale price.^{4,5,6}

Some people want to retire and then sell their home, but it may be wiser to sell a home and then retire if the real estate market slows. If you sell sooner instead of later, you can always rent until you find a smaller house that could save you thousands (or tens of thousands) of dollars over time.

Run the numbers as accurately as you can before you make a move. Downsizing always seems to have a hidden cost or two, but for many retirees, it can open a door to long-term savings. Other seniors may find it cheaper to age in place. CONTACT US today to talk to an advisor about your options.

3 - nerdwallet.com/blog/mortgages/two-ways-to-determine-how-much-house-you-can-afford/ [4/26/22]

4 - investopedia.com/articles/personal-finance/06/19/14/downsides-downsizing-retirement.asp [9/16/21]

5 - moving.com/movers/moving-cost-calculator.asp [4/27/22]

6 - gobakingrates.com/saving-money/home/why-still-wasting-money-storage-units/ [8/31/21]

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