



Thinking of downsizing\$\$\$

The analysis by Peter Tyndall of Primetime shows that over 10 years there can be a net wealth difference of over \$400,000 depending on the type of accommodation you choose. It is important to do the analysis over the longer term and check contracts and options.

Here are the fundamentals on how it works.

A couple aged 75 and 70 receive a part pension and want to down size. The home is worth \$650,000 and a retirement village costs \$400,000. After transaction and moving costs they increase their cash by \$200,000.

That \$200,000 is means tested for pension purposes and can result in a loss of pension up to approximately \$15,500 per year.

The costs of daily living will also change and this is worth comparing before a decision is made.

The big costs are exit fees in retirement villages. An analysis by Primetime on 6 different village contracts showed exit costs after 10 years being between \$97,000 and \$238,000 depending on which village and the price growth.

So a \$400,000 retirement village unit growing at 3% per year could provide a healthy sales value of \$520,000 but only leave the couple with \$282,000 after costs.

In addition the couple may lose a pension of say \$11,000 after tax. If they earned an extra \$3,000 after tax in extra interest from the extra funds the net loss of income after 10 years would be $10 \times (11,000 - 3,000) = \$80,000$

Meanwhile the original property value growth at 3% per year would be worth \$845,000.

So the difference in net value after 10 years would be \$443,000 made up of:

Couple that moved- net assets are \$402,000

Village unit \$282,000 and cash of \$120,000 (\$200,000-\$80,000)

Couple that stayed- home value \$845,000

Now the couple are 85 and 80. If the older spouse may need to go into aged care whilst the younger spouse still lives independently there is a significant difference in affordability for living in aged care.

About Primetime



Peter Tyndall has spent over 25 years helping businesses and families with financial and lifestyle plans. He is particularly passionate about ensuring retirees have the systems and support in place so they can enjoy peace of mind through retired life through proactive planning cope including planning for future trigger event such as health shocks.

Peter has drawn on his significant experience to develop Primetime, an online, integrated, personal planning system. Primetime helps individuals and couples evaluate their circumstances and planning, provide feedback, strategies and recommendations, and offers vital tools and services to help retirees and their families, advisors and support organisations plan for their future.

Peter is available for interview about many of the broader and interrelated issues facing retirement such as financial management, health management, lifestyle choices, accommodation choices, care and support and elder abuse.

For further information contact

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