

Is Downsizing Right for you?

There are several reasons why downsizing your home may become a serious consideration for you in the future.

Your family home may simply be too big for you now the children have left home, or you may feel that a smaller home, perhaps a bungalow, would just suit your lifestyle better. Many homeowners also consider downsizing as a way of releasing some of the equity tied up in their home and quite often now we hear of clients who want to help their own children get on the property ladder by releasing equity to help them with a deposit.

Moving can be a big upheaval so it would be best to consider all of your options if releasing equity is your main priority.



Equity Release Schemes

Equity release schemes should not be entered into light-heartedly as they can affect your ability to claim state benefits, as well as your **inheritance** and estate planning options. Consulting a lawyer and **financial adviser** before moving forward with a scheme is always advisable. There are two main types of equity release:

Reversion Schemes

These equity release schemes involve you selling all or part of your home to a Reversion Company. In return, you receive a lump sum or a **monthly income**. You and your partner can stay in the home, usually rent free, for the rest of your lives. When the property is eventually sold (usually on the 2nd death), the Reversion Company receives a % of the sale proceeds equal to the % of the property that they bought from you.

Lifetime Mortgages

These cover a variety of different equity release mortgage schemes, all of which involve you **borrowing money** secured on the value of your home. Again, you can receive either a lump sum or a monthly income. You continue to own your entire home and the loan is repaid to the lender when your home is sold. You can choose whether to make interest payments or whether the interest is "rolled up" and paid back when the property is sold, which maybe after your death. This will affect the amount of your estate left for your family once you are gone, so we always recommend thinking about all of the options open to you.



Another way to release equity may be to **Remortgage Your Property**.

Properties usually increase in value over time so another option may be to effectively 'borrow' some of the value **locked in your home** by remortgaging. Your monthly mortgage payment will increase to reflect the loan, so if you're looking to be mortgage free then this probably isn't the right choice for you. Again, we would always recommend you seek advice before doing this.

Things to consider if downsizing is your chosen route

Once you've considered all of your options and have decided that just buying somewhere smaller is the best route for you, there are other things to think about.

Where do you want to move to?

It is important to be close to family and friends, but you need to prioritise what is essential for you. Adjusting to a new location will time take. Do you need good access to public transport? Do you want to be part of a local community? Are local shops within walking distance? Research your area thoroughly before making a decision.

The size and type of the new property

It is important to be practical when downsizing. If you are currently in a three bedroom home and are wish to move to a low maintenance flat with no garden or garage, there will be less room for your belongings. You'll need to prepare yourself for getting rid of furniture and belongings that you may have had for several years, which maybe emotionally hard to do.

Declutter

Downsizing is an excellent opportunity to declutter. Assess what you truly need, what you can not live without and what must go. If the nest is empty, you may have extra beds and furniture that needs a new home.

What to do with the unwanted items?

Selling unwanted items can generate some extra cash and help to offset the cost of moving. There are many places online to sell unwanted items such as eBay, Facebook, Preloved and Gumtree.

If you are looking for a quick sale, you may include furniture and white goods within the asking price; this could be an attractive proposition for a first-time buyer.

You could also give unwanted items to family members, friends or local charities. Be mindful that some charities are unable to accept electrical goods due to health and safety regulations.



Plan ahead

Once you have decided on your new property, draw a floor plan, figure out where items are going to go and pack accordingly. If you intend to buy new furniture or white goods, plan ahead as delivery times can vary.

Once you have agreed on a moving date

- Find a reputable removal company. If you have time, shop around and get a competitive quote.
- Contact your estate agent and find out the details of the seller's utility providers, so that you can set up new accounts.
- You need to order telephone and broadband services before moving, on average it can take a few weeks to activate.



It is also important to consider the following:

- Plan to update your new address with the DVLA, your doctor, dentist, TV licensing, bank or building society, insurance providers and other investments you may have.
- Register to pay for council tax in your new home.
- Update all your addresses online (such as eBay and Amazon accounts).
- Redirect all your post

How you wish to invest any proceeds from the sale of your home?

Moving to a smaller home would usually mean that there will be some proceeds from the sale (depending on where you move to of course). If you are left with a lump sum from the sale, you may wish to think about how to invest the cash. Some clients may choose to purchase another "buy to let" property with the proceeds, giving them an ongoing rental income. We would always advise that you speak to an Independent Financial Adviser first, who will provide advice on what investment profile may suit your personal circumstances. We can help you with this. As part of our overall service we can offer you a Free Wealth Management review with Banner Jones Wealth Management. Just ask your property solicitor for more information.

If you need more information on equity release or moving home, Banner Jones has the following helpful guides:

- Top 10 Tips for Moving Home
- The Ultimate Guide to Moving Home
- Buying and Selling Houses – A guide to residential conveyancing
- Is Equity Release Right for you?
- 8 key steps to financial planning



If you are moving home and you need a solicitor, get in touch today on info@bannerjones.co.uk or visit bannerjones.co.uk for more information.

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