Lucked Out

By Evelyn Preston

After watching skyrocketing home values in the San Francisco Bay Area, I must remind the more "senior" seniors that many of us lucked out by staying put.

Inevitable aging, however, has opened doors to new housing options and living arrangements often updated in ActiveOver50 articles and columns. Retirement costs, taxes, health, family, dreams and desires are a few of on-going considerations that impact our later-years' lifestyles and domiciles.

Q: I'm weary of maintaining our large home and property and would welcome moving to a retirement community with increased amenities and new friendships. My husband won't budge. What to do?

Erase emotion and focus on facts. Compare costs of various retirement venues (lifelong care, recreational only, et al.) against at-home aging that could involve caregivers, increasing maintenance, remodeling and replacements (furnace, roof, etc.) Consider healthcare unknowns. Don't forget property taxes and rising utility rates. Money talks.

Consider shared housing with just a helpful renter or a live-in couple which could dovetail into current household help and future physical assistance for each of you plus the companionship you crave.

Check the new wave of sharing communities—"it takes a village" old fuds style—with your own downsized "castle" but shared cooperation in the many chores and pleasures of daily living.

Q: Do you think the backyard "Granny units" will help seniors who want to remain at home and might need extra income or extra help? Would any "Granny" actually move to her own backyard?

Some seniors will rent as you suggest; others may downsize to another family member's guesthouse or separate studio. However, I read a thoughtful newspaper article about a sought after Connecticut community that allowed backyard units. These ultimately wrecked home values and ruined neighborhood dynamics due to the area being over-run with ugly, cheap, shed-like structures, problem renters, increased parking woes and crime. Now the entire town has become "the wrong side of the tracks." The message warned voters in a near-by town against approval of a similar measure. I'm baffled that no design oversight and few rules or regulations are contemplated by some local Bay Area cities considering these extra units.

Q: An elderly friend wanted to sell his house and move but the huge capital gains tax made it impossible. Any tax-saving strategies for seniors who would like to downsize or must they wait to die when appreciated assets, like homes, move up to market value?

My friend, Ann, a wise senior, shared her/husband's personal plan and positive attitude selling their lovely old home to their daughter.

"We didn't want any convoluted or devious strategies to avoid taxes," Ann said, "just a plan that worked for us." They consulted a reputable estate attorney and sought a reliable appraisal, then set the down payment amount to cover the "buy-in" cost for their new retirement community.

Requesting a prevailing interest rate (currently low) for an interest only loan wouldn't trigger any extra capital gains tax and this income would also help meet the monthly costs of their new home. Because they could completely trust their buyer, they retained 1/3rd ownership—lower costs for buyer, extra nest egg for them.

"We were at the right place at the right time," Ann said, "our home's extraordinary increase in value had nothing to do with our financial genius. We'd enjoyed the good life so I didn't mind paying a reasonable share to the government." Ann wanted a "clean" deal without any worries.

"As a bonus," she added, "our daughter continues to pay property taxes at our same rate."

Homeowners' Alert: Plans to leave homes and investments for heirs without taxes may hit a snag. This administration's possible trade-off for retiring Estate Taxes upon death could be to rescind the stepped up basis to market value when an owner dies —a huge setback for long time Bay Area homeowners!

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