



For retirees, there's no place like their own home: Study

Andrew Osterland, special to CNBC.com

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Where do you want to spend your retirement?

Americans almost universally say they want to be in their own homes, close to their families and near good friends. If they develop significant health issues—as they almost certainly will later in retirement—they want to deal with them where they live for as long as they can.

"No one talks about looking forward to a nice nursing home in retirement," said Judith Chipps, a financial advisor with Merrill Lynch Wealth Management. "Many of the facilities for retirees are fantastic places, but the vast majority of people want a solution where they stay in their own homes."

While the financial condition of the average American heading into retirement is not very good, most people feel optimistic about their housing situations.

A recent survey of more than 3,600 Americans across income, age, gender and ethnic groups by Merrill Lynch and research firm Age Wave found that 81 percent of the respondents over age 65 were homeowners, and 72 percent of them had fully paid off their mortgages and had average home equity of \$213,000. Additionally, 66 percent of the retirees in the survey said they felt free to live where they wanted to.

"We often think of housing in retirement in terms of disability, but the way retirees talk about it is in the context of freedom," said Ken Dychtwald, president of Age Wave. "They've reached the point where they don't have to live where their kids go to school or near work. They can live how and where they want to."

That feeling of freedom and choice generally characterizes the first 10 to 15 years of retirement, he added. To that point, 64 percent of retirees in the survey said they had either already moved in retirement or expected to at some point.

One of the more surprising findings of the survey, said Dychtwald, was that only 51 percent of the retirees who moved went to a smaller home with lower expenses. Given the generally low level of personal savings that retirees have, that could pose financial problems down the road.

"From a practical point of view, downsizing makes sense, but half of retirees don't move to someplace smaller, and 30 percent actually move to a bigger home," he said. "You can end up cash-poor and brick-rich."

The second phase of retirement—typically starting when people approach the age of 80—is where the financial challenges become more considerable. People are more likely to have some disability and/or cognitive issues, and the cost of their health care is typically rising.

Eighty five percent of survey respondents said they wanted to receive the long-term care they would need in their own homes, but for that to happen, they will have to make significant changes.

"People don't want to be forced out of the homes they love because they can't get around them," Dychtwald said. "There's a growing desire not to be institutionalized, but adjustments have to be made in people's homes."

Those home-renovation needs include single-level living spaces, wider hallways, accessible electrical sockets and a wide variety of safety and convenience features that will make life easier for older homeowners.

Last year, Americans over the age of 55 spent roughly \$90 billion on home renovations—47 percent of the national total, according to studies by the Joint Center for Housing Studies at Harvard University.

While much of that investment was to add bedrooms and space to accommodate family visits, much of it was to make homes more age-friendly, and with the baby boomer generation entering their retirement years, that will only increase.

"The home-improvement business is always focused on young families, but it's the parents and grandparents that are doing the remodeling," Dychtwald said.

For many people, staying at home vs. a long-term care facility is not only the more attractive scenario, it's also the only affordable one.

"A long-term care facility is not typically an option for a majority of Americans," said Sheryl Garrett, a certified financial planner and founder of the Garrett Planning Network. "People don't have the money for those kinds of things."

Instead, she sees growing numbers of families moving closer to each other and sharing the work of taking care of parents and grandparents.

"I think we're returning to the norm of two and three generations ago, with family members living together again," Garrett said. "You stick with your clan and take care of each other."

While it's easy to get gloomy about the late retirement prospects for Americans who don't have a lot of resources, Dychtwald expects people and entrepreneurs will find solutions.

"I worry about the differences between haves and have-nots becoming more pronounced, but there are so many models of retirement emerging," he said. "It's up for grabs what it becomes."

Whether it's social adjustments, such as families choosing to live together or to share resources and expenses with other families and friends, or new ideas that will help people generate income from their homes, the choices are increasing.

"There will be a much bigger focus on the elderly and elderly care going forward," said Merrill Lynch's Chipps. "Sometimes from crises you get new solutions. I think it could trigger more creative alternatives."

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