

READY TO RETIRE?

*Making Your Retirement Goals a Reality:
A Guide for the LGBTQ Community*



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INTRODUCTION

Ready to Retire?

After a lifetime of planning and saving, you may find yourself at the beginning of a new adventure – retirement. If so, congratulations! Some of the best years of your life still lie ahead of you. Or, perhaps you're not quite ready for retirement. You're still in the process of saving and planning, but you're a long-term thinker, and you want to make a long-term plan.

Whatever your particular situation, here at Gay Real Estate, we consider it a privilege to offer this guide as a way to help answer real-estate related questions that you may have about preparing for this new chapter, so you can enjoy your golden years to the fullest. We hope this guide is helpful and informative, and of course, we would always welcome the opportunity to speak with you in person to learn more about your real estate goals and interests, and how we might be able to help.

We know that planning for retirement can be intimidating and daunting, but it doesn't have to be. With the right knowledge, the necessary resources, and a clear vision, it can truly be something that's exciting and full of possibility for the future you want to create. If you're ready for retirement, read on!

CHAPTER ONE

The Ups and Downs of Downsizing

As you prepare for retirement, you may be contemplating the decision to downsize, as many do. In truth, this is a question that is complicated for many. The multi-bedroom home with the large yard and swimming pool, or the 3500 s.f. two-story townhome may have been perfect at one point in your life, but now, it may simply be too much to maintain, and this is completely understandable.

On the other hand, you may have made years of memories in your home. Perhaps you raised your children there, or made many happy memories with your partner that you would be sad to leave behind. Maybe the home is too large for your current needs, but you simply love the location. Everyone's situation is different, and different factors will motivate each decision.

To help with the decision-making process – to downsize or not to downsize - a few helpful factors to consider may be:

- **Do You Need the Extra Money?** Often, the biggest asset one owns is one's home. As you prepare for your retired years, particularly if you have a shortfall in savings, you shouldn't overlook the equity in your home as a significant source of funds to help cover your retirement expenses. Downsizing to a less expensive home can increase your bank account, while also, in many cases saving you money on utilities, property taxes, and maintenance as well.

- **How Do You Want to Spend your Time?** Many want to spend their retired years pursuing hobbies and avocations that interest them, and which they may not have had time for in the midst of maintaining a busy career. Perhaps you want to travel more, and you don't want to worry about the maintenance and care of a large, empty home while you're away. Maybe you've maintained a large yard and a big house for years and years, and you'd like to free up that time to spend on a new interest or passion. By eliminating extra space, you're often able to add extra time, and that often has a value that you can't put a price tag on.
- **How Important is Your Community?** Many love their homes not only for the home itself, but for the neighborhood that home is a part of. Do you have a social network that you love in your current neighborhood? Are you happiest being familiar with your surroundings and using the amenities you've become accustomed to? Are you close to family and friends that you wish to remain close to? If so, maybe downsizing isn't for you at all. Or maybe you'll still want to downsize, but stay in your current community. All of these factors should be a part of your consideration, and of your ultimate decision.
- **Whether it's More Costly...**
 - o **To Stay:** Choosing to stay in your home is not without its own set of costs – many of which might not be anticipated at first. Even if you own your home free and clear, you'll continue to owe property taxes, homeowner's insurance, any neighborhood association fees, maintenance fees, utilities, and other home-related costs. Perhaps you live in a neighborhood with excellent public schools, and you pay higher taxes as a result, even though you no longer need the schools because your children are grown. Additionally, if you continue to remain in your home throughout your retired years, the possibility certainly exists that you may need to pay for some renovations to ensure that your home continues to be livable and comfortable.
 - o **Or Go:** Generally, if you have owned your home for some time, and it has appreciated in value, you will likely make a profit by selling. Some sell their homes, however, and then instead of downsizing, they actually upsize – either by buying a home that is actually larger, or by buying a home with more amenities, a home in a more expensive area, etc. In that case, profit you make may be eroded at a rapid rate if there is significantly increased spending. This is not to mention the actual costs of selling a home and moving – and between real estate commission, moving fees, and other related expenses, these costs are not necessarily cheap.

Certainly, a cost-benefit analysis is important and helpful for whatever choice you make, so it's important to thoroughly consider both the pros and cons from a financial perspective before making a decision one way or another. Making the decision to sell your primary residence and downsize can be difficult and not without its sentimental moments. But it can also be well worth it if that's the decision that you ultimately choose to make.

Without question, beginning the process of sifting through the belongings that you have accumulated for what could be decades of living in the same home can be overwhelming, and it can be hard to know where to begin. On the other side of the coin, it can be very freeing, to let go, literally, of baggage and clutter that has been filling your living space for years, and is a necessary step toward a new beginning. Downsizing is not without its tedious details, but it can also be the beginning of a new and exciting adventure.

If you do decide to downsize and stay in your current community, or, if, as we discuss later, you choose to relocate to an area that's entirely new, Gay Real Estate is here to help. Whatever your decision, we can help connect you with a pre-screened, LGBTQ friendly real estate agent to help you begin your search for the perfect new home. It may be helpful to talk to a few different real estate agents, and find out how each one would handle the sale of your home. Different agents will have different opinions on what you should do to prepare your home, when you should list your home, how they would price your home and why. Finding an agent whose vision aligns with yours, and who you can work easily with is important.

At Gay Real Estate, we're committed to connecting members of the LGBTQ community to agents that we know personally, who have a great track record of success. We would be honored to help connect you with an agent in your community who can help you find the retirement home of your dreams. Visit us at www.gayrealestate.com today to get started on this exciting new journey today.



CHAPTER TWO

Tax Talk

If you do decide to downsize, or even to upgrade, it's certain that the sale of your current home and purchase of your next will have tax implications. For many, selling your home means cashing in your biggest financial asset. For those who have chosen to sell their primary residence, either to downsize, to upgrade or to relocate, there are some tax benefits of which you should be aware, should you qualify.

If you are selling a home that you have lived in for many years, there are significant potential tax benefits that are available to you. Currently, the exclusion for capital gains on the sale of a home that you have lived in for two of the last five years is \$500,000 for married couples who file jointly, and \$250,000 for singles and married couples who file separately. To claim this exclusion, you take the original cost of your home, otherwise known as the “cost basis”, and add to that sum the cost of any home improvements you have made, as well as costs incurred in the process of buying or selling the home, such as real estate commissions.

If you anticipate having difficulty determining the actual cost basis of your home, this is understandable. Ideally, if you have kept detailed records of home improvements over the years, those records will be helpful in making this determination. The Internal Revenue Service also offers helpful guidelines and worksheets that can assist you. Specifically, *Publication 523 – Selling Your Home* can be quite helpful in assessing your cost basis and its tax implications. As a helpful guide, the following are some of the improvements that can be included in your cost basis:

- **Additions:** This can include anything you add onto your home as an improvement – a pool, a deck, an actual extension of your house, and more.

- **Plumbing:** This can include installation of a septic system, water heater, water softener, bathroom updates, and more.
- **Exterior:** This can include new windows and doors, a new roof, new siding, and more.
- **Interior:** This may include the installation of built-in, upgraded appliances, kitchen upgrades, installation of new flooring, installation of new light fixtures, and more.
- **Systems:** “Systems” broadly refers to things like heating, air conditioning, furnace, central humidifiers or vacuums, air or water filtration systems, security systems, home entertainment systems, and irrigation systems just to name a few.
- **Insulation:** This can include improvements to your attic, walls, floors, ductwork, pipes, etc.
- **Lawn and Grounds:** This may include improvements to your landscaping, walkways or driveway, fences, retaining walls, swimming pools, outdoor garden areas, decks, screened porches, and more.

It is wise to itemize all of these improvements before you decide to sell your home. Normally, any profits you made on the sale of your home in excess of the cost basis plus the additions and improvements would be subject to tax, as a long-term capital gain tax. Under the tax benefit, however, a married couple filing jointly can exclude up to half a million dollars of profit from any capital gains tax, or \$250,000 for singles or married couples filing separately. If your profit exceeds the \$250,000 or \$500,000 limit, the excess is reported as a capital gain.

This exclusion can only be claimed every two years, but is still a substantial benefit for those homeowners who qualify for it. Fortunately, there is no limit on how often you can use this exclusion, and can do so every time you sell a primary residence, provided that you owned and lived in it for two of the five years leading up to its sale.

In addition to the benefits outlined above, tax laws vary by state, and federal tax laws also often change. When you have reached the point where you’re ready to retire and sell your home, it’s wise to ask your accountant or financial advisor to advise you as to how those laws may affect your particular situation.

CHAPTER THREE

(Re) Location! Location! Location!

As the old saying goes, location is everything. This is particularly appropriate for your retirement years, when, for perhaps the first time, you have the luxury to choose a location based upon exactly what you want! No longer do you have to be tied to a certain location for a job or other responsibility. Instead, you have the luxury of choosing a place that is a good fit for your interests and lifestyle goals. If you have decided to sell your primary residence and move to an entirely new location, there are plenty of helpful factors to consider in making your decision.

Choosing a new location to live in, at least for most people, is more than just throwing a dart at a map. In fact, the truth of the matter is that there are plenty of wonderful and appealing options all over the map. It's just a matter of finding the one that's the best fit for you – for your needs, interests, and lifestyle goals. Particularly if you are planning to stay in your new home for the majority of your retired years, you'll want to put the necessary amount of thought and consideration to ensure that you choose a place that truly makes you happy and fits your needs.

A good way to begin is to ask yourself what is important to you about this move. Is it being closer to family or friends? Is it access to healthcare that you may need, or the need to live in a particular type of climate for health reasons? Maybe you truly enjoy a particular activity, and want to spend much of your newly found free time in retirement enjoying it. Perhaps there are certain amenities you'd like to be closer to. Maybe the community you're interested in has exceptional senior services, and that's something that's very important to you. Whatever your priorities and interests are, it's important to choose a location that fits your vision.

More specifically, some important things to consider when choosing a new location are:

- **Cost of Living:** Low cost of living and affordable housing costs are very important priorities to many retirees. Thinking about not only the cost of your new home, but also property taxes in the area, cost of living in the community generally, the price of amenities, and the amount that you might spend in travel expenses if you're moving far away from family are all factors to consider in determining an overall approximation of your living costs.
- **Taxes:** For many, taxes are also an important deciding factor in choosing a retirement location. As discussed in more detail later in this guide, there are currently seven states that do not have personal state income taxes¹, and others which offer favorable tax breaks on retirement income². Some states have no income tax, others have no sales tax. Some don't tax social security, while others do have estate and/or inheritance taxes. While this is true, it is also true that some areas with smaller tax breaks also offer a lower cost of living, or lower property taxes. As a result, financial benefits will vary, depending on your particular circumstances and priorities. Regardless, it is important to research these matters with your personal financial situation in mind, to make the best choice for your long-term needs and goals.
- **Climate:** Climate is very important to some retirees, for a variety of reasons. Perhaps, in your older years, you have developed some health issues that would benefit from a warmer climate, or lower elevation. Perhaps you're planning to spend much of your leisure time golfing, or boating, or playing tennis, and you want a warm climate to do so. Alternatively, maybe you want to move to a climate where it doesn't get too hot or too cold, and temperatures remain relatively moderate year-round. Deciding what your priorities are is the first step, and then finding a location with a suitable climate is the second. Investigate climates in locations of interest further by using the NOAA informational website at www.climate.gov.
- **Amenities:** It's important to really think about the activities that you'd like to participate in as you enjoy your retirement, and then to research the area that you're interested in to see if it offers amenities that will support your interests. Are you an artist? Then searching for areas with art museums, art workshops and classes, or art supply stores might be important. Or perhaps you have the supplies, and are just looking for an area with amazing scenery to paint. Either way, research is key! Maybe you enjoy fine dining or international cuisine. If so, looking into the

These states are Alaska, Florida, Nevada, South Dakota, Texas, Washington, and Wyoming.

*A helpful guide to different tax rules as they apply to retirees in specific states can be found at:
<https://www.kiplinger.com/tool/retirement/T055-S001-state-by-state-guide-to-taxes-on-retirees/index.php>*

local food culture and dining scene will be important. If you enjoy theater, you'll want a city with a lively arts scene. Maybe you're a golfer, or you enjoy tennis. In that case, climate, and availability of courses and facilities might be a key factor in your decision. Whatever amenities you anticipate needing, you'll want to be sure that the community you're considering has them.

Beyond consideration of the above factors, it should be noted that for LGBTQ individuals, consideration of location can take on an added layer of importance – that of finding a like-minded community where you feel you belong. While some couples may not feel an urgent need to be in the most vibrant, actively gay community in the country, everyone still wants a place where they feel accepted as and for who they are. Choosing a home is one of the most significant decisions in people's lives, and for many, a primary consideration isn't just the house itself, but also whether they will be moving to a neighborhood where they feel protected and supported.

Fortunately for all LGBTQ couples across the country, in the wake of the 2015 decision by the United States Supreme Court in *Obergefell v. Hodges*³, all now have a right to marry, regardless of where they live, and the dawn of marriage equality in the United States has opened new doors to married LGBTQ couples wishing to purchase a home together. Even so, not all locations are necessarily created equal.

It is an unfortunate reality that certain areas may be more welcoming and accepting of a diverse community than others. It is important to investigate policies pertaining to LGBTQ housing discrimination at the county, city, and state levels before deciding where to relocate when you retire. While the Fair Housing Act theoretically provides protection from housing discrimination, it unfortunately does not explicitly mention sexual orientation as a basis for protection.

Accordingly, when choosing where to purchase a home, it's always a smart choice to research whether the city you're considering includes sexual orientation and gender identity in its statutes forbidding housing discrimination. And of course, that's simply in addition to all of the other things that you may want to consider in selecting a location for your retirement home.

Fortunately, there are many online resources available, including www.GayRealEstate.com, to investigate whether a potential neighborhood would be a good fit, and of course, making a visit to your potential locations and talking to residents are both good ideas as well.

Ultimately, if there are many places in the country that seem appealing, one of the best things to do is to go and see them. You can research endlessly online, and ask the opinions of others who have been, but often there is truly no substitute for seeing something for yourself.

While you're visiting, be sure to check out the amenities that interest you. Visit different neighborhoods to get a feel for the atmosphere. Talk to people who live there – and don't be afraid to ask questions about things that are important to you.

Another great way to investigate a potential location is to set an appointment and meet with a local realtor or two in the area. That way, you can get a sense of actual home prices and more detailed information about particular neighborhoods. Check out our website

www.gayrealestate.com

and connect with a realtor – there is no cost or obligation! And of course, as we've said, there are some of us who may not choose to relocate at all for retirement. Many people, in fact, choose to stay right where they are. If you love your hometown and the amenities there, and you're close to family, friends, and activities you enjoy, there's no need to move simply for the sake of moving. Some choose to stay in their homes, others choose to downsize, and still others purchase an inexpensive vacation home in another location to satisfy their need for change, while still enjoying everything they love about their hometown. If that's an option that may appeal to you, then read on!

CHAPTER FOUR

Home Away From Home

Maybe you've decided, for any number of reasons, that you want to keep your primary residence during your retired years, a decision which is certainly understandable. Even so, keeping your primary residence doesn't necessarily mean that you want to stay in one place all the time. In fact, it's quite common for many retirees to maintain a primary residence that they live in for a portion of the year, and a vacation home that they live in during another portion of the year. Both can work, and during your retired years, you have the freedom of schedule and the time to come and go as you'd like. It can truly be the best of both worlds!

If you're contemplating purchasing a vacation home, there are several considerations you'd be wise to take into account:

- **Location:** As this is a "vacation" home, you'll certainly want to pick a location with a climate, amenities, and activities you'll enjoy. That should be your first and foremost concern, as after all, the point of vacation is to enjoy it! Another important concern with respect to the location of your vacation home, particularly if you are considering renting it out during the time you're not living in it, is the popularity and ease of access to the area you're contemplating. If you hope to rent your home out several months out of the year, you'll obviously want to pick a location popular with tourists and potential renters. And, of course, you'll want

to refer back to the general guidelines above on choosing a location for a home. There are many important factors to consider, even if the home is not your primary residence. By carefully considering your choice of location, you're setting yourself up for years of enjoying your vacation home in a place you'll love.

- **Affordability:** Is the vacation home you're considering ultimately affordable? While real estate is often a sound investment with a steady appreciation, when purchasing a second home, you should not count on this being the case, at least in your first few years of ownership. The real estate market can fluctuate often by geographic region, and as noted, you can't necessarily count on a continually steady stream of renters to cover the mortgage completely. You'll also want to be certain to calculate all potential costs of the home – not just the purchase price, but also potential utility costs, any HOA or condo fees, property taxes, insurance, and the costs of furnishing the new home. It's important to thoroughly consider all potential costs before deciding if the purchase is an affordable one.
- **Know the Rules:** If you plan to use your vacation home as a rental property, make sure you familiarize yourself with any rules regarding rental that your homeowner or condominium association may have. Not all neighborhoods allow rentals, and among those that do, there are often certain rules and standards in place regarding interior furnishings, amenities, cleaning schedules, rates, and the like. You may want to, or even be required to, use a property management company to manage the rental of your vacation home. As rules and regulations can vary greatly by location and neighborhood, it's important to research all of these rules before you buy.
- **Plan Ahead for Emergencies:** It's always smart to anticipate and plan for potential emergencies. Particularly if your vacation home is located a fair distance from your primary residence, consider enlisting the help of someone who can go and check on the home often. Having a reliable handyman or property manager can be very helpful in this regard. On this same note, protecting your home when it is vacant is important. Consider having lights set on timers, someone to pick up your mail, and asking someone to check on your property regularly when you are not there to do so yourself.
- **Taxes:** You should expect to pay taxes on your vacation home, and if you rent it, should be aware that rental income is taxable on both state and federal tax returns. If you rent your home out in short-term (that is, usually for periods of six months or less), you will likely be required to collect the same lodging taxes that hotels collect, and pay those to the appropriate authorities. As specific tax rules can vary by state and county, it's wise to consult a financial advisor in your area who can help you understand the tax obligations with respect to your particular property.

Purchasing a vacation home can be an exciting and very rewarding endeavor. By thinking it through carefully, and choosing a home in a location you love that fits your financial and lifestyle needs, you'll have years ahead of happy memories to look forward to in a destination you love! At www.gayrealestate.com we would be glad to discuss your vacation home needs with you, and to connect you with an agent or advisor who might be able to help you with this process. Give us a call today!



CHAPTER FIVE

Choosing a Property Type

If you've made the decision to downsize or to purchase a vacation home in another location, you'll soon enough face the question of which sort of home you want to buy. Instead of purchasing a traditional home, many retirees consider the possibility of purchasing a condo, renting an apartment, or moving into a community tailored to senior citizens. A brief look into options that vary from the traditional home may be helpful in your consideration of what might be the best choice for your particular circumstances:



Apartment: This might be a great choice for the retiree who wants to avoid the maintenance and stress that can accompany traditional home-ownership. Renting an apartment means that you'll no longer have the stress and responsibility of things like home repairs, snow removal, and exterior maintenance, which can free up your time for many other things you enjoy. On the flip side of the coin, however, renting is a monthly fee that can grow to be a burden on many retirees who live on a fixed income. This is particularly so as rent tends to increase over time, as opposed to mortgage payments, which tend to remain more consistent.



Condo: As a condo owner, you reap many of the benefits of apartment living, insofar as you tend not to have responsibility for things exterior maintenance, snow removal, etc. You may, however, have association fees which, like rent, can tend to increase over time, and which can often be quite steep, depending on the community that you choose. You also have to live very close to your neighbors, which is a positive for those who may want increased social interaction in their retired years, but may be a negative for others. Another benefit a condo offers that an apartment does not, of course, is the opportunity to ultimately pay less for your residence than you likely would for a traditional home, while still continuing to build equity. Buying a condo might be a great choice for those who travel a lot, and will only be home for certain portions of the year.



Senior Living Communities: Senior living communities exist all over the country, and are structured in ways as varied as the interests of the residents who live there. Some provide significant assistance with all aspects of day-to-day living, and others are structured so that residents live almost entirely independently, and simply benefit from the ease of social connection with others who are retired and share similar interests. A wide array of options are available, and when choosing one, you should consider a variety of factors including the level of day-to-day assistance you'd like, the activities and amenities offered, the location in relation to other things that are of importance to you, and any monthly fees required of residents in addition to the cost of the property itself.

Regardless of what type of residence you choose, there are other factors you'll likely want to take into consideration that may be applicable to all. Considering these factors when choosing your next home can ensure that you make a choice you'll be able to enjoy for years to come:

- **Structural Considerations:** Whatever sort of property you choose to buy, if you plan to stay there throughout the majority of your retirement, you'll want to consider not just the type of property, but the structure of it as well. It may be wise to look for a ranch property, or at the least, one with fewer stairs to navigate. You may want wider, roomier halls, or at least one step-in shower. What about the location of your appliances? Are they on a floor and in a location where you'll easily be able to access them, even in your older years? It's important to think through not only your current needs, but also what your physical capabilities may be in the future, as you may a decision on the next long-term property you plan to own.

- **Proximity to Healthcare and Amenities:** In addition to considering the structural aspects of whatever property you're interested in purchasing for retirement, it's also important to consider its location. While a property way out in the mountains may be beautiful, if it's fifty miles to the nearest healthcare facility, it may be worth considering if it's a choice that will be realistic for the duration of your retirement years. The same applies for grocery stores, pharmacies, restaurants, and other amenities. As you age, it may become increasingly important to you that these locations are in close proximity to your residence, so considering that as a buyer is important.
- **Maintenance:** How much maintenance will your new property require? As we grow older, often our tolerance for things like mowing large yards, raking piles of leaves, and shoveling snow decreases. As a result, it's important not only to take a good look at the interior structure and features of your potential property, but also what would be required for exterior maintenance as well.
- **Security:** As we grow older, an increased feeling of security often becomes more and more important. In choosing a retirement property, it may be helpful to consider the value of security features like a gated community, a manned gate house, or a security system for added peace of mind.

Of course, these are only some factors to consider. Choosing the particular property that is right for you will be a decision unique to you and to your particular circumstances. Careful consideration can make all the difference in choosing the property that's the perfect fit!

CONCLUSION

Congratulations!

Whatever your particular circumstances, Gay Real Estate is glad to be of help in this exciting and often very rewarding and fulfilling time of life. Remember that you can always turn to

www.GayRealEstate.com

for advice and up to date information on all kinds of real estate needs, as well as life planning matters like these, knowing that when you do so, you're receiving the most helpful and accurate information available.

Congratulations on a well-earned and much-deserved retirement.

We hope you enjoy it to the fullest!



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