

The Solo-Agers Decision Guide

Resource Series



Preparing for Changing Housing Needs

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Preparing for Changing Housing Needs

This is one topic in the Solo-agers Decision Guide. The Introduction to this Guide outlines the types of decisions that solo-agers need to make to prepare for their future aging needs. Other topics in the series cover preparing for physical and cognitive decline, developing a support network, finances, health care, legal issues, and technology aids.

Where do you want to live between now and your later years? As a solo-ager, you may have greater freedom to make your housing decisions without consideration of the opinions of other family members. In your active years, this decision will probably depend on factors such as cost, proximity to friends, and desired climate.

In planning for a future when you may have more limitations, you will want to consider access to support services, community resources, medical providers, transportation, and whether your home is designed to accommodate your future needs and limitations. Earlier sections of this Guide provide more information on [*Physical and Cognitive Limitations*](#) and [*Support Systems*](#).

Three out of four people over 50 say they prefer to stay in their homes or communities as long as possible.

Source: AARP 2021 Home and Community Preferences Survey

For most people, housing preferences change with time. Although you may want to stay in place in the early stages of aging, many people eventually find that the homes they lived in while working do not best fit their needs in later years. Maybe your house has too many stairs to navigate. Or the yard maintenance is too physically taxing. Or you would like to be closer to friends, shopping, and needed services. Neighborhoods evolve as friends move away or die. Some or all of these factors may eventually lead you to decide to make a change. In fact, survey research suggests that home satisfaction is highest for retirees who live in age-restricted communities that are designed specifically for older adults.

Before making major changes, it pays to carefully consider your current housing situation. Does it fully meet your needs? What modifications would be necessary to age in place? What do you value about your current home, location, and community? What features are missing?

Does Your Current Home/Community Offer...?

- ☐ Affordability, given expected retirement income, and taxes
- ☐ Accessibility (limited stairs, wheelchair-friendly, main floor living)
- ☐ Proximity to work, shopping, places of worship, entertainment, restaurants
- ☐ Proximity to medical providers and hospital
- ☐ Public transportation options
- ☐ Senior resources and community activities
- ☐ Proximity to friends and family
- ☐ Outdoor space for relaxing, entertaining, gardening
- ☐ Opportunity to step up to assisted living when/if needed
- ☐ Adaptability to current or future special needs
- ☐ Acceptable amount of work to maintain/live in home

If your current home is sufficient for your active years, but will not work well once you have more limitations, it makes sense to arrange for appropriate future housing sooner rather than later. If you wait until you are already experiencing limitations, it will be more difficult to make the decision and to navigate the moving process.

Housing Choices: Aging in the Right Place

There are many housing types from which to choose, and you may end up making changes as your needs evolve. In addition to evaluating appropriateness for aging in place, you will also want to consider your personal preferences for privacy, style, size, and location.



My Personal Housing Preference is

**Rate 1-5 where 5=Strongly Agree;
1 = Strongly Disagree**

- ☐ To live alone i.e. no shared space
- ☐ A detached residence rather than multifamily.
- ☐ No exterior or yard maintenance.
- ☐ A certain type of climate.
- ☐ An urban environment.
- ☐ A large home with room for guests.
- ☐ To own the home rather than rent.

If your current home and location meet all of your needs or can be adapted to do so, you should weigh the costs and benefits against your other options. Before you experience serious limitations, you have the following options which are discussed below: downsizing, sharing housing, moving to a retirement community, cooperative, or independent senior living.

Housing Options: Before You Have Serious Limitations

1. Downsize. Many people find that a smaller home is more manageable, in terms of money and maintenance. Ideally, your new home should be designed for aging in place (e.g. low maintenance, walk-in showers, wheelchair accessible, better access to needed services). You should assume that the costs of a move are likely to be about 10 percent of the value of your home, including costs of



fixing up your current home to sell, real estate commission, moving costs, and expenses for outfitting the new home. If you have lived in your current home at least two years, \$250,000 profit (or \$500,000 if you are a surviving spouse) on the sale of your home is tax-free under current tax law. Depending on the relative prices, you may be able to improve your portfolio diversification by investing the proceeds in non-real estate assets. You might also consider renting instead of owning. Although rents increase over time, renters have greater flexibility to make changes to their housing situation in the future. In choosing where to live, you may want to consult the Village to Village Network to identify neighborhoods in which residents have agreed to provide support for each other so that they can all age in place for as long as possible. (vtvnetwork.org)

2. Move to a Retirement Community. Age-restricted communities (usually 55+) offer leisure activities, transportation options, clubs and social activities that offer a ready supply of potential friends. Many of these planned communities include golf courses, tennis and pickleball courts, pools, and community centers. Some are so large that they have their own stores, fire and police service, and movie theaters. Various types of housing may be available, including single-family homes and condominiums. Homeowners' association fees can be fairly high, depending on the amenities provided, but will usually include exterior maintenance and yardwork. Although most retirement communities do not have on-site healthcare, they are often located near medical services.

3. Share Housing with Others. In planning for a future in which you may need more support, a growing trend is for homes to be designed for sharing. For example, some homes are designed for unrelated adults with a shared kitchen and common areas. Some housing is now being designed with auxiliary (or accessory) dwelling units, separate apartments in an existing unit for a caregiver, similar to what used to be called a “mother-in-law suite.”



4. Move to a Housing Cooperative. If you prefer more privacy than provided by shared housing, you might consider buying into a housing cooperative. With this relatively new type of housing, residents do not own their units outright, but instead become shareholders in a corporation that owns and manages the units. Although there isn't anything stopping a group of friends from putting together the funding to build this type of residence, the legal hurdles and cost of construction makes it challenging, so most of these are available from corporations that specialize in creating these communities. They are typically designed with different-sized apartments and shared communal spaces (parking, storage units, activity rooms, and gardens). Residents pay a one-time buy-in based on the size of the unit selected, and then a monthly fee thereafter that covers operating expenses (real estate taxes, insurance, water and sewer, heat, reserves). The up-front price tends to be related to housing prices in the area, but often will be around half the cost of buying a similar-sized condominium unit. Monthly fees will usually be less than rent on comparable units. Some co-ops allow members to freely sell their units, and others set restrictions, such as requiring that the unit be sold back to the cooperative for their original buy-in price plus an increase specified in the contract. A directory of senior cooperatives is located at seniorcoopliving.org/directory/

5. Move to Independent Senior Living. With independent senior living, you pay an entrance fee and monthly rent for a private apartment or townhouse in a building or complex. The monthly rent, which depends on the size of your apartment, will generally include housekeeping, utilities, maintenance, transportation, and dining options. Most provide common living areas, such as game rooms, small libraries, and a dining room. As with many types of retirement communities, various organized learning and social activities are available for the residents. This type of housing does not provide any assistance with medical needs or the activities of daily living, but residents can often hire help if needed. Dining options may be included as part of the monthly fee, but apartments may also include kitchens for cooking at home. Some independent senior living communities offer the option to transition to higher levels of care in the future as needed. This type of housing may be operated by either a for-profit or non-profit entity.

Once you have more serious physical limitations, you will need to consider housing options that can provide you with greater support. These include hiring an in-home aide, or moving to assisted living, residential care facility, or continuing care community.





Housing Options When You Have Greater Limitations

1. Stay Where You Are with In-Home Aide. Suppose you prefer to stay in your current home even if you have some limitations. Many older people worry about being forced to leave their home and therefore do not let others know they are experiencing limitations until something bad happens, such as a fall that results in hospitalization. An AARP survey showed this to be a major concern for solo-agers, presumably because they know there isn't a family member who can step in to help. A visiting nurse, housekeeper, or live-in companion can extend the time you can remain in your home and can be less expensive than an assisted living facility if you have minor limitations. With some advance planning, you can make changes to your living environment that will make it easier to have paid in-home paid caregivers. Long-term care insurance policies may cover a portion of the cost, depending on your limitations. The cost of non-nursing in-home assistance varies greatly by region, but ranges from about \$20 to \$50 per hour, with higher rates in some areas of the country that have been experiencing shortages of caregivers.

2. Move to Assisted Living. For those who need assistance with the activities of daily living (ADLs), including dressing, feeding, toileting, personal hygiene, medicine administration, an alternative to in-home care is to move to an assisted living facility. For non-solo-agers, individuals in this stage can sometimes rely on living with a family member until their needs become too great. But for solo-agers who have the means to pay for it, assisted living can be a good option. Beyond basic assistance such as meals, the service package can be tailored to the needs of the individual. Depending on the level of assistance required, long-term care insurance may cover some of the monthly cost. In assisted living, residents live in private apartments, but there are nurses on site, and aides to provide help with non-nursing needs. As with independent senior living, monthly rent covers all your living expenses, meals (provided in a common dining area), medication administration (as needed), and help with daily personal care. Each resident is regularly evaluated for their medical needs. The cost of assisted living varies greatly across the country, but the national median was \$5,350 per month in 2023, increasing with care level. (Genworth Cost of Care Survey, 2023)

3. Move to a Residential Care Facility.

For those with more serious medical needs, memory problems, or dementia, a nursing home or memory care facility may be required. These are typically more institutional, similar to hospitals. Residents live in semi-private or private rooms, receive 24-7 nursing care, health monitoring, medication administration, physical therapy as needed, and meals delivered to their rooms. National statistics show that 2 in 3 people will need some type of long-term care services as they age, with the average nursing home stay being about 3 months. This may be a one-month rehab following an injury, or a long-term stay for someone with Alzheimer's. Without family to provide in-home care, a solo-ager is more likely to eventually need residential care. The median monthly cost of a nursing home with a private room in 2023 (\$9,733) was nearly double that of assisted living, and not much less for a shared room (\$8,666). Long-term care insurance will cover some of the cost. For those without insurance or sufficient financial resources, state Medicaid programs will sometimes cover the cost, but you will need to spend down your assets first, and you will have fewer choices of facilities.

Housing Choices Before You Have Serious Limitations

- Stay where you are
- Downsize
- Shared housing
- Retirement community
- Housing cooperative
- Independent senior living

Housing Choices When You Have Greater Limitations

- In-home aide
- Assisted living
- Residential care facility
- Continuing Care Retirement Community (CCRC)

4. Move to a Continuing Care Retirement Community (CCRC).

A continuing care retirement community combines aspects of several of the previous choices. These communities, some of which are called “lifeplan communities,” have a range of housing and care options on one campus that are designed to allow residents to easily access medical services as needed, ranging from independent living, assisted living, memory care, and 24-hour skilled nursing care. These communities have many different types of contracts, but most require a large up-front entry fee that is usually at least partially refundable if you leave. This cost may be partly tax-deductible for those who itemize deductions. Most CCRCs also require payment of monthly fees that may increase with the level of care required. These fees cover all the services and amenities, dining, activities, and maintenance, but sometimes also include laundry, housekeeping, and transportation. Some CCRCs may charge discounted fees for services or include a certain number of days of care services in the base rate. CCRCs with “lifecare contracts” usually charge the same monthly fee regardless of level of care—you are essentially paying in advance to have the more expensive coverage later at the same rate. Although there is substantial variation in contract terms by community and amenities, the average entry fee for all types of CCRCs was \$402,000 in 2022, and the average monthly fee was \$3,600. Most residents pay for the CCRC from savings or from the proceeds of the sale of their home.



Financial Considerations

For most people, their home is their largest asset and housing costs are one of their largest budget items. If you are lucky enough to have a lot of equity in your current home, you may be able to sell it and pay cash for whatever you have decided is your next chapter. However, even without a mortgage, homeowners still incur the costs of utilities, maintenance, insurance, and property taxes (which can be quite high in some areas of the country). Renters are exposed to rising costs over time.

There are several questions that you should consider related to your housing costs.

1. Should I pay off my mortgage? Based on national statistics, more people are carrying mortgage debt into retirement than ever before. Since solo-agers are single earner households, mortgage debt seems more likely than for two-earner households. If you have other sources of funds, you may find it beneficial to pay off your current mortgage to reduce your monthly expenses. However, the tradeoff is that you will have less cash on hand to cover other expenses and emergencies. Consider the following simplified scenario.

Example 1: Jessica owns a home worth \$400,000. She owes \$300,000 on her mortgage which costs her \$1,500 per month for principal and interest (3% mortgage rate), and she has a \$800,000 tax-deferred retirement account on which she earns 6% before taxes. Should Jessica pay off her mortgage, assuming retirement withdrawals are subject to 25% income tax?

Jessica could withdraw \$400,000 from her tax-deferred retirement savings, pay the income taxes on the withdrawal, and pay off the mortgage with the remainder. Having no mortgage payments will reduce her cash outflows by \$18,000 per year. But the cost to her will be the current and future 6% earnings on that \$400,000, \$24,000 per year. She should also consider that the actual cost of the mortgage to her is even less than \$18,000 when you consider that some of the mortgage payment is repayment of principal, and the rest is deductible interest (for those who itemize deductions on their taxes). When you have a very low mortgage rate, finance professionals may recommend that you keep her money invested rather than use it to pay off the mortgage. In this example, she can earn 6% when the mortgage cost is only 3%. However, even when investment earnings are greater than the expense

savings, some retirees may prefer to simplify their finances as they age and pay off their mortgage. As you can see, there are a number of factors you should consider in whether to pay off your mortgage for your individual situation. (See [Manage Your Finances](#)).

2. Should I borrow against my home equity? If you own your home and don't have a mortgage, or have a lot of home equity, two ways to access funds from the value of your home are to set up a home equity line of credit or refinance an existing mortgage. When mortgage rates are low relative to investment returns, this may be more attractive than liquidating other investment assets like stocks, bonds, etc. to have more funds available for other purposes. As in the decision to pay off a mortgage, you should consider your own individual situation and goals. Consider the following example:

Example 2: Mike owns a home worth \$400,000 and has previously paid off his mortgage. If he borrows \$300,000 home equity line of credit at 6 percent, his payment of principal and interest will be \$1,798 per month. Should Mike borrow against his home equity?

With a home equity line of credit, the borrower can use the money as needed and the payment will be depend on the loan interest rate and the amount of the outstanding balance. If Mike borrows against the line of credit, he will have a monthly mortgage cost (which is partially tax deductible), but he may be able to invest the funds to supplement his earnings. Having a mortgage in retirement may not be a bad financial decision if the annual interest cost is less than what you can earn on the invested funds. If Mike needs the money to cover current expenses, however, his interest costs will gradually increase as he draws on the credit line, and he will not have any offsetting increase in his investment earnings. This is a simplified example of a complicated financial decision. If you are considering borrowing against your home equity, you may want to seek professional advice.



3. Should I consider a reverse mortgage? A disadvantage of a regular mortgage can be the need to make monthly payments. A reverse mortgage turns this around, and you use your home equity to generate cash inflows instead of outflows, and you don't have to pay them back. How does a reverse mortgage basically work? The financial institution enters into an agreement with you to use your home equity as security for a loan. The amount of the loan could be a lump sum you receive up front, or a line of credit you can draw upon as needed, or a series of payments until death (a life annuity). The loan balance at any given time is the payments you have received to date plus accrued interest. The house remains in your name until you die, sell the property, or are unable to live in the house for at least 12 months (e.g. if you moved to a nursing home). During that time, you must maintain the home and pay property taxes and insurance. The loan is repaid out of the proceeds of the eventual sale of the home, but if the home sells for less than the accrued loan balance, you (or your heirs) are not obligated to make up the difference. If the home has appreciated well and sells for more than the accrued loan, you (or your heirs) get the difference. Reverse mortgages can be a good option for people who are house-rich but savings-poor, do not plan to move, or expect to live a long life. Financial experts also suggest it may be advantageous to use a reverse mortgage to

avoid having to sell stocks in down markets to meet regular expenses. One of the biggest disadvantages of reverse mortgages is that your heirs cannot get the house unless they pay off the accrued mortgage. Since solo-agers are less likely to have this type of bequest motive, the reverse mortgage can be an attractive option. Before considering this option, you will need to do your homework and meet with a counselor to discuss eligibility, options available, and lenders fees. Federally insured reverse mortgages, through the Home Equity Conversions Mortgage (HECM) program, are subject to regulations that limit the total amount you can borrow and the minimum age of the homeowner (62+). Some states have reverse mortgage programs with unique age and borrowing limits.

4. What If I Don't Have Home Equity or Savings? Not surprisingly, solo-agers who lack financial resources will have fewer housing options. For example, without funds for a large up-front deposit, you cannot qualify for most of the senior housing options discussed in the previous section. If you're relying primarily on annuity benefits (Social Security and/or an employer pension plan) to meet living expenses, it's important to include a plan for housing expenses in your budget. Although Social Security and government pension benefits increase with inflation, most private pension benefits do not. Unlike homeowners with fixed mortgage payments, renters can expect their housing costs to increase steadily over time. Options to consider include:

- Retiring to an area of the country that has lower housing costs. There are large differences in average rents for similar-sized housing. For example, the average rent for a 2-bedroom apartment in 2023 was \$836 in Kansas as compared to \$1,893 in Massachusetts. ([Rentdata.org](https://rentdata.org))
- Investigate house-sharing options.
- Carefully evaluate your current and future income and expenses to determine what you have available for housing. Another topic of this Guide focuses on [Managing Your Finances](#).

Resources for Housing Decisions

AARP, "Solo-agers: Attitudes and Experiences," February 2021, <https://doi.org/10.26419/res.00428.001>

AARP: aarp.org/families/housing_choices

American Bar Association Commission on Law and Aging 202-662-8690

American Association of Homes and Services for the Aging 202-783-2242 www.aahsa.org/consumer_info

Eldercare Locator 800-677-1116

Genworth, Cost of Care Survey, 2023, www.genworth.com

Housing Options for Older Adults: A Guide for Making Housing Decisions, www.usaging.org/files/HousingOptions.pdf

Medicare.gov/NHCompare—detailed information about past performance of Medicare and Medicaid certified nursing homes.

myLifeSite, "CCRC Basics," <https://mylifesite.net/ccrc-basics/>

National Aging in Place Council, The Costs of Aging Handbook, <https://ageinplace.org/wp-content/uploads/2021/11/Costs-of-Aging-Handbook.pdf>

National Citizens Coalition for Nursing Home Reform 202-332-2275 www.Nccnhr.org

National Resource Center on Supportive Housing and Home Modification 213-740-1364 www.home-mods.org

Village to Village Network, vvnetwork.org