

RETIREMENT REPORT

Your Guide to a Richer Retirement

SEPTEMBER 2008 VOLUME 15 NUMBER 9 \$5.00

Selling Your Home in a Buyer's Market

Be prepared to set a competitive price, clean out the clutter and spread the word.

LIKE MANY retirees and those approaching retirement, you may be thinking about selling the family home. And like many prospective home sellers, you're probably kicking yourself for not having moved sooner, before the housing market took a nosedive.

Still set on selling? Take heart. Sure, you may take a hit on the sales price on your house compared with the market's peak. But you're also likely to get a good deal on a smaller home. "Selling in the down market is a good thing because you get to buy in the down market," says Nate Martinez, a real estate agent in Phoenix.

And depending on where you live, your larger suburban home may be holding its value better than some houses in retirement destinations. For instance, house prices in Pittsburgh, Pa., Raleigh, N.C., and Richmond, Va., have held steady or increased slightly over the past year, according to Zillow.com, an online real estate service. Meanwhile, home values in the once-hot retirement markets in the Miami and Fort Lauderdale, Fla., metropolitan area have plummeted by more than 20%.

If you decide to sell, you must do a lot more than

stick a for-sale sign in your front yard. In this buyer's market, you need to hire top salespeople, set a fair price, see that your product stands out from the competition and be prepared to negotiate.

You'll also need to change your mindset a bit. Forget the extra profit you would have gotten a year or two ago. "My clients have lived in their homes so long that even though they're seeing some loss, they still have a lot of gain overall," says Lyn Dippel, a certified financial planner in Columbia, Md.

That was John Farmer's situation when he and his wife, Rosemary, 65, put their Glenwood, Md., house on the market in May. They were ready to downsize from the four-bedroom house they'd lived in for 32 years. Their home sold in just over two months.

"We thought it was going to take a long time, predicated on what we'd heard," says Farmer, 66, a consultant for a utility company.

The Farmers got \$15,000 less than what they were hoping for, but they still did well, given that the house had appreciated by 80% since they built it. Plus, the couple was able to negotiate a \$100,000 price cut on the three-bedroom house they're building in a 55-plus community 20 miles away, in New Market, Md.

■ **Sell now or later?** It's impossible to time this real estate market. If you can wait, you can hope for a rebound. "It's like the stock market," says Kimberly Kirschner, chief executive officer of Kirschner Realty International, in Miami. "If the market is down, unless you really need the cash, it's better to hold until the market goes up."

But the market could get worse before it gets better. And once it begins to rise, it could take a long time before it reaches its earlier peak. So if you want, or need, to sell, go for it.



William Jordan, president of the Sentinel Group, an investment-management firm in Laguna Hills, believes that the bottom is still 12 to 18 months away in his part of Southern California. Then, he predicts, the market will stay flat for several years. Jordan recently advised a couple with a beach house worth about \$1.4 million to sell. "The value has fallen some," he concedes, "but if we sit around and wait a year or two, they could lose 10% or 20%."

Jordan says homeowners can sell and then rent another house for a year or two. "It's a good way to test-drive an area," he says. "Then, at a leisurely pace, they can buy the right property at a lower price."

In Phoenix, Martinez says the area offers deals for retirees from higher-cost areas. For example, a four-bedroom house that sold for \$580,000 several years ago is back on the market for \$345,000.

■ **Price it right.** Forget what your neighbor's house sold for last year. Homeowners who want to sell today need to set a realistic price for this market. "The market price is going to be less than your dream price," says Fanny Chu, a San Francisco real estate agent. "Seniors have lived in their home for a long time, so they have an emotional investment in it. When you sell, you must be a little bit detached."

The first step in setting a price is pinpointing recent sales prices of houses that are comparable to yours. Allyson Bernard, owner of Danbury-based Real Estate Professionals of Connecticut, evaluates comparable sales from the last two to three months, as well as asking prices for homes on the market, within three to five miles of a client's home. "If comparable properties have sold for \$250,000, you know that is a realistic measure of that property," she says.

A modern bathroom, renovated kitchen or a deck could give your home an edge over the competition. But Bernard might still set the price at \$240,000. "I want to be in the middle or lower end of the compe-

tion to sell the property quickly," she says.

Avoid setting a high price for your house with the plan of lowering it if doesn't sell. "People will say, 'It's been on the market for 60 days? What's wrong with it?'" Martinez says.

George Boswell, 76, and his wife have little choice but to cut their asking price. Their house in Blairsden, Cal., in the Sierra Nevada mountains, has been on the market since May. In October, they're closing on a home in an active-retirement community 60 miles away in Reno, Nev. Prospective buyers who have come by are holding off on selling their own homes. "It's nerve-wracking," he says. "We want to get relocated before winter arrives."

If the Boswells don't sell their home before they move into the new one, they'll have to take out a mortgage on the new house. "We're lowering our asking price to stir up more action," says Boswell, a retired research chemist.

To sweeten the deal, you can offer possible buyers a home warranty that covers the heating, cooling and plumbing systems and certain appliances. The warranty typically lasts a year and covers service, repair and replacement. It usually costs between \$300 and \$400. You can also offer to pay some of the buyer's closing costs, perhaps the appraisal fee or points to reduce the mortgage. Some lenders won't allow cash to change hands, so check with lenders first.

■ **Find a good agent.** Selling your home on your own isn't as good an option as it was during the housing boom. Don Nicholson, Jr., a financial planner in Wilmington, Del., says most sellers need a real estate agent who "can do marketing and open your house up to a wider group of people."

But not any agent will do. Ask your friends, family and neighbors for recommendations for the top local sellers. Meet with two to three agents and ask them about their experience and plans for your house.

EDITOR IN CHIEF AND PUBLISHER

Knight A. Kiplinger

EDITOR

Susan B. Garland

MANAGING EDITOR

Rachel L. Sheedy

STAFF WRITER

Kathryn A. Walson

CONTRIBUTING EDITOR

Christopher J. Gearon

ART DIRECTOR

Mary Pat Doherty

DESIGNER

Beth Rosenfeld

EDITORIAL ASSISTANT

Amy M. Pollak

MARKETING MANAGER

Sandra Hunt

EDITORIAL OFFICES

1729 H St., N.W.

Washington, DC 20006-3938

TELEPHONE: 202-887-6491

E-MAIL: retire@kiplinger.com

FAX: 202-785-3648

SUBSCRIBER SERVICES

TELEPHONE: 800-544-0155

E-MAIL: sub.services@kiplinger.com

FAX: 515-246-1020

ONLINE SUBSCRIPTIONS

Sign up for free electronic access, including past issues and annual article indexes, at KiplingerRetirement.com.

ADVERTISING SALES

Kristina Carrington

TELEPHONE: 917-421-9049

E-MAIL: k.carrington@jamesgelliott.com

FAX: 212-588-9201

REPRINT SERVICE

PARS International Corp.

102 W. 38th St., Sixth Floor

New York, NY 10018

TELEPHONE: 212-221-9595, ext. 322

E-MAIL: reprints@parsintl.com

CONTENT LICENSING

licensing@kiplinger.com

202-887-6558

Published monthly (ISSN# 1075-6671); \$59.95 for one year; \$89.95 for two years; \$114.95 for three years. Copyright © 2008 by The Kiplinger Washington Editors Inc., 1729 H St., N.W., Washington, DC 20006-3938.

Periodicals postage paid in Washington, DC.

POSTMASTER: Send address changes to Kiplinger's RETIREMENT REPORT, P.O. Box 3295, Harlan, IA 51593.

"They need to know where to market the property," says Bernard. "If it's lakefront property in Danbury, Conn., we'll probably market it in New York City."

Home buyers are scouring the Internet, so make sure your agent uses the Web extensively. Martinez's postings include a virtual tour, floor plans and photos for each house. "The more my listing stands out, the more I'm going to get a buyer to spot it and tell their realtor about it," he says.

Martinez places listings on Realtor.com, Remax.com and the Web sites of the local newspaper and TV station. You or your agent can also advertise on other real estate sites, such as Dothomes, Trulia, Redfin and Cyberhome. For an international city such as Miami, Kirschner has Web listings translated into 12 languages for overseas advertisements.

Resist the urge to go with the agent who suggests the highest asking price. Some agents, says Bernard, "tell sellers what they want to hear and lock them into a contract. Then the house sits on the market."

■ **Spiff it up.** You may love your glass elephant collection, but most prospective buyers won't. Your goal is to "stage" your home to make it as appealing to as many buyers as possible. "A majority of people have trouble visualizing their personal items in somebody else's home," says Bernard. "You can see your possessions in homes that are clean and organized."

Real estate agents recommend placing old-fashioned furniture in storage, getting rid of clutter and tchotchkes, hiding family photos and organizing closets. They also suggest painting the walls and installing carpets in neutral shades.

It's not necessary to do a complete remodeling before selling, says Dorothy Geringer-Munson, an agent in Charlotte, N.C. "I've seen people spend \$100,000 on a kitchen, but I don't recommend doing that," she says. "You're probably going to get the money back, but there's no point if you're not going to be able to enjoy the kitchen."

The Farmers painted their walls light beige. They put some items in storage and gave a lot to their kids and to charity. The couple also removed posters and trinkets from trips to Ireland that had decorated their basement. "It made it a homey environment for us, but it could look like clutter to someone else," says Rosemary Farmer.

On the exterior, consider planting flowers, trimming the bushes and painting the shutters. Martinez recommends looking at your house from across the street, so you can see what prospective buyers see

From the Editor

YOU MAY have dreamed of an early retirement, but the down market could be forcing you to put your plans on hold. Compelling data from T. Rowe Price shows that a few extra years in the workforce could help a lot.

The analysis shows that by postponing retirement to age 65 from 62, you can increase your annual retirement income from investments by 22%, assuming that you save 15% of your salary. You can boost your retirement income by 28% if you set aside 25% of your pay. (The analysis assumes an annual salary of \$100,000, a diversified tax-deferred savings plan of \$500,000 at 62 and a 6.7% annual return after fees.)

Wait until 68, and your retirement income rises by 49% if you set aside 15% of your salary. And it rises by 63% if you save 25%.

Why the gains? You'll still be contributing to savings, you'll delay tapping your nest egg, and you'll reduce the number of years that your savings will have to generate income. So while you're toiling an extra few years, take solace in the notion that your retirement, when it comes, is likely to be much more comfortable.



Susan B. Garland, *Editor*

when they pull up. "In a market with an oversupply of property, curb appeal is very important," he says.

You can hire a professional home stager to do the work for you. Ask your agent for a referral or find a local member of the **International Association of Home Staging Professionals** (www.iahsp.com; 800-392-7161). A stager could cost anywhere from a few hundred to a few thousand dollars. "You probably would get the money back because your home would show better," says Chu, the agent in San Francisco.

If you don't need to sell now but would like to move, you might consider renting out your home. In the next issue, *Kiplinger's Retirement Report* will offer tips on becoming a landlord. **K** —KATHRYN A. WALSON