



The Upside to Downsizing

By Steven Bomberger

Downsizing is a difficult step. But the advantages are far more significant than one might think, especially in today's economic climate when the savings and convenience of a smaller home can make sense in the long term.

For starters, look at the numbers. As estimated by the Tax Foundation, the nationwide average for annual property taxes is about 1% of the home value, and according to Freddie Mac, maintenance costs run in the neighborhood of 1% to 3% per year. Assuming the homeowner plans on staying in their existing home for another 25 years, the total cost for a \$400,000 home will take about \$300,000 out of one's nest egg at \$12,000 per year – just for taxes and maintenance. By downsizing to a \$300,000 home the figure significantly drops to \$225,000.

Right now your mind is probably shouting: "Sounds great but I can't possibly sell my house! It's worth much less today than it was in 2008." That thought pattern is based on conventional thinking. Most people hate to sell an asset that has lost value, whether a house or stock, because they don't want to absorb the loss. They're waiting for the value to rally. Unfortunately, in today's economic conditions, this could drag on for years. For many, it could be more prudent to simply accept the fact that they might not make the huge profit they had hoped. But wait, all is not lost. In today's market, chances are excellent that a new home will cost far less than it did three or four years ago. In many cases, the amount one saves more than makes up for the amount they lose.

And when it comes to downsizing, take note that it's always cheaper to maintain a newer, smaller, more energy-efficient house. Plus there will be immediate savings in other areas as well: lower insurance costs and greatly reduced maintenance expenses being at the forefront. All these savings add up and actually compound over time.

Of course, none of this rationale takes the emotional strain into account. Downsizing can be traumatic. The thought of giving up that big, beautiful, four-bedroom home in North Wilmington for a two-bedroom home in a 55-plus community might be hard to consider as you ponder where the kids will stay when they visit during the holidays or what happens when friends spend the night. Well, consider this: downsizing can be done with virtually no compromising. As an example, Benchmark Builders offers 55-plus communities that offer options that will allow homebuyers to add guest bedroom suites, hobby rooms, and extra storage space, so all those important family heirlooms, hobby items and toys, not to mention family and friends, can be accommodated with ease.

There's also the freedom factor. Living in a 55-plus community allows you to spend more time doing the things you like, since the responsibility of outdoor chores is forever removed.

Right now, we are building three 55-plus communities in Delaware so I hear numerous comments from homebuyers who have recently downsized. Most say they wish they had done it sooner. It seems that once these folks came to the realization that they couldn't maintain a big home forever, either financially or physically, and knowing that it will only get more difficult, they knew that the timing was right to downsize. And we all know that hindsight is usually 20-20.

Steven Bomberger is president of Benchmark Builders, a locally owned and operated company that has been building homes throughout Delaware since 1988. The company is currently marketing eight communities, including 55-plus communities, townhome villages, and traditional single-family homes. The company was one of the first builders of age-restricted communities in Delaware and remains at the forefront of the real estate industry. For complete information, visit the company's website at www.BenchmarkBuilders.com.

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