

Should We Sell or Should We Stay?

By Frederick M. Misilo, Jr., Esq.

“I don’t know, maybe I should sell this place — or not!”

This question is not an uncommon one to hear from seniors who are living in their home and share their concerns about selling that home with friends, family and neighbors. The rising cost of basic necessities, the ever-present maintenance and repair costs, and a host of other concerns force many seniors to consider selling their home. This decision is not an easy one to make. It is truly a dilemma. Our homes are part of our identity. They provide a sense of place: “This is where I raised my children.” It is also “my place,” offering comfort, privacy and a daily routine. What would selling my house mean to me? What would my life be like?

Despite these emotional concerns and attachments, harsh practical realities must be taken into account if a senior indeed intends to remain living at home. First and foremost, physical safety must be a consideration. Is the home accessible or can it be made accessible in case of a minor physical disability? For example, are there stairs that go in and out of the home? Are there rooms that are accessible only by stairs? If so, then, a ramp may need to be installed. Perhaps moving chair-seats may be added onto a staircase. These types of accommodations are relatively inexpensive. An emergency response system on a bracelet or necklace that can be activated in case of a fall or medical emergency should be considered mandatory.

Another factor to consider is the availability of family and friends who can provide a support network. Daily phone calls, rides to appointments, visits from neighbors and friends, and other important support activities can make the difference between staying in one’s home or selling and moving to another setting. Neighborhoods change, family members move away, and friends pass away. These factors can lead to isolation for a senior. When this happens, a setting that can offer some of the support and assistance that was lost can be an attractive alternative to staying in one’s home.

Even with social supports and physical health relatively intact, financial distress can make selling one’s home seem like the right decision. The recent increase in fuel and other commodities has rattled many people. For people on fixed incomes, it has been a particularly stomach-turning experience. Seniors should fully investigate whether they may be eligible for tax deferral or exemption status on their property tax with their city or town tax assessor. Also, there is help in the form of fuel assistance and energy efficiency subsidies for those who meet certain financial eligibility guidelines.

For seniors who would prefer to stay in their home, but who are also concerned about their dwindling savings, a home equity loan or a reverse mortgage may provide some relief. A home equity loan can be in the form of a lump sum or in the form of an equity credit line. A reverse mortgage provides access to the equity of the home and repayment does not occur until the borrower dies, moves out of the home, or sells the home. None of these options should be undertaken without advice and counsel from experienced financial and legal advisors. There are significant implications and individuals must carefully consider these types of financial products before getting involved with them.

An analysis of whether to sell one’s home or not would not be complete without mentioning the existence of tax and Medicaid issues. For instance, there is an exclusion from capital gains tax for individuals (\$250,000) and for couples (\$500,000) in the sale of their principal residence. But the sales proceeds from the home will not be exempt for persons seeking Medicaid to pay for long-term care. However, under some circumstances, a senior may be able to use some of the sales proceeds to purchase a life estate in their son’s or daughter’s home and not have those proceeds considered as resources for Medicaid eligibility. These are just a few of the many tax and Medicaid-related issues that factor into the decision of whether to sell one’s home.

“Look before you leap” may be the best advice a senior can get when considering whether to sell his or her home. Take time to evaluate the alternatives. Visit friends or acquaintances who have moved to a retirement community, assisted-living facility or other setting. Make sure to talk things over with financial, legal or other advisors before making this important decision.

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