



Is Homeownership Putting a Dent in Your Retirement Budget?

Housing is an expense most retirees can expect to pay for the duration of their life in retirement, along with other essential expenses, such as food, clothing, healthcare, transportation, and taxes. Whether you own or rent, housing can be expensive, and costs generally increase over time. For example, in 2023, the average annual cost of owning a home was \$17,500, not including a mortgage payment. That's up from \$15,400 in 2022. Much of the increase is due to rising costs for homeowner's insurance, real estate taxes, homeowner's association dues, and labor and materials for performing tasks that many retirees no longer can or want to do, such as cleaning, landscaping, maintenance, and repairs.¹ Rental costs also remain relatively high, with prices up from a year ago in 47 of the 50 biggest metro areas in the country. Providence, R.I. ranked the highest with an annual increase of 7.7%, while Austin, Texas ranked the lowest at -2.6%.²

Should you own or rent in retirement?

That depends. Owning your home provides you with more control over the property and allows you to continue building equity while remaining in your home and community. This can be a good option as long as your health and finances remain stable. However, unpredictable expenses and repairs can make home ownership challenging on a fixed income. When you sell also matters. Ideally, you want to sell on your terms, not due to a health crisis, death or other circumstances that may require selling at an inopportune time. Typical costs associated with a home sale include real estate commissions and fees, negotiated repairs, cleaning, and moving household furnishings to your new location.

While these expenses can add up, selling frees up the remaining equity in your home, which can be used to bolster your retirement nest egg if you plan to rent. Renting can boost cash flow, since you're no longer paying a mortgage, real estate taxes, or expenses related to the upkeep of your property. Renter's insurance premiums are also substantially lower than homeowner's since you're only insuring your personal property when renting. These combined savings free up more discretionary income to use for the things you enjoy, such as travel or entertainment. If you choose to relocate again later, moving is a much faster process without the negotiations and transaction costs associated with selling a home. However, rental costs can vary greatly, depending on the type and location of the property you choose. Renters also face the prospect of annual rent increases, which need to be factored into your retirement spending strategy. Renting may also impact your taxes if you previously itemized deductions for mortgage interest and/or real estate taxes.

If you need help determining whether owning or renting is the right option for you, or have concerns about cash flow in retirement, call the office to schedule time to talk.

¹Rearick, Brenden, "This Surprise Expense Is Likely to Upend Your Budget in Retirement (Hint: It's Not Health Care)." Nasdaq.com, 25 OCT 2023, <http://www.nasdaq.com/articles/this-surprise-expense-is-likely-to-upend-your-budget-in-retirement-hint:-its-not-health>.

²Helhoski, Anna, Rental Market Trends in the U.S. — Price Growth is Below Pre-Pandemic Rates." Nerdwallet.com, 13 FEB 2024, <http://www.nerdwallet.com/article/finance/rental-market-trends>.

Why One Key to Better Health is Downright Laughable

National Let's Laugh Day is celebrated annually on March 19th. While it may sound a bit comical to have a day devoted to laughter, there may be more truth to the old adage, "laughter is the best medicine," than originally thought. According to the American Medical Association, laughter has been found to offer a broad array of health benefits, including:¹

- Increasing the level of oxygen in the blood and the release of cortisol, endorphins, and the immune system's T-cells
- Boosting levels of dopamine and other stress-busting chemicals and hormones that can naturally help to lower anxiety and depression
- Providing a workout for the diaphragm and improving "cough efficacy," which is important for people with asthma, bronchitis, or other chronic lung issues
- Supporting social relationships, which can be particularly beneficial to those dealing with loneliness or isolation

In addition, researchers at Vanderbilt University found that "genuine voiced laughter" causes a 10% to 20% rise in heart rate and calorie-burning energy expenditure above resting values.²

Good things happen when we laugh

While the physical and psychological benefits of laughter have been widely studied, what makes people laugh is still a bit of a mystery. Laughter is thought to begin in the brain's frontal lobe, which researchers believe is the gatekeeper for our sense of humor. It determines whether you find something humorous or not, then passes that information along to other areas of the brain to further process. But it doesn't stop there. When the brain signals that it's time to laugh, the whole body gets involved. Oxygen intake increases, endorphins rise, and dopamine and other stress-busting chemicals and hormones are released that can naturally help to lower anxiety and depression. The way our bodies processes humor also increases circulation and aids in muscle relaxation.³

The best part is that you don't have to wait until March 19th to reap the benefits of laughter. Get your regular fix by spending time with family and friends; watching humorous videos, comedy shows or movies; or visiting a local comedy club. You can also listen to humorous audiobooks or podcasts while walking, driving, or tackling chores.

However you choose to get your daily dose of humor, remember, laughter is also highly contagious.

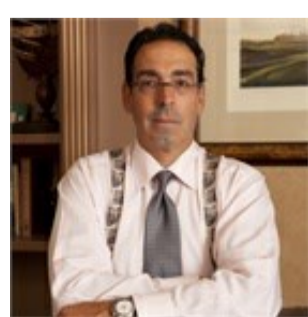
¹Robeznieks, Andis, "Why older adults benefit from regular doses of humor." Ama-assn.org, 23 MAR 2023, <http://www.ama-assn.org/delivering-care/population-care/why-older-adults-benefit-regular-doses-humor>.

²Ibid.

³Christing, Adam, "What Part of the Brain Processes Humor?" Cleancomedians.com, 6 SEP 2021, <http://cleancomedians.com/what-part-of-the-brain-processes-humor/>.

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