Should I stay or should I go?

Blog

"Should I stay or should I go?" While some of you may be thinking of The Clash's 1982 single or scenes from *Stranger Things*, homeowners may be asking themselves this as they near retirement. Homeownership rates are the highest for those who are ages 65 and over[1] so the majority of investors nearing retirement will soon be deciding whether they will relocate, downsize, rent, or remain where they are. When asked where they wanted to live in retirement, 89% of UBS investors surveyed said they wanted to stay in their current home.[2] Instead of going along with the seemingly convenient option of staying where you are, take a proactive approach when making this decision.

For example, newlywed couples looking for their first home typically have certain criteria the home must meet based on what they want to get out of it. Location is often a concern, especially if they want an easy commute or to be close to family. They'll consider certain features like the size of the kitchen or backyard if they plan on entertaining friends. Square footage and the number of bedrooms will be a core consideration if they plan on growing and expanding their family. And, most importantly, they'll consider their budget to know what can be afforded.

First-time home buyers take a proactive approach by making sure their home will be practical for their lifestyle and fit into their financial picture now, and in the future. While investors most likely won't be purchasing their first home when they transition to retirement, they should still take the same proactive first-time home buyer approach when deciding whether they should "age in place,"* or not.

Practical considerations: Your home most likely suited your needs when you first moved in, and that may still be the case now, but will that remain true 30 years from now? As you think about what life will look like going forward, it can be helpful to separate your retirement period into three phases: Transition (reducing work hours), My Time (travel and leisure), and The Last Waltz (relaxed, simpler life, eventually focusing on health issues).[3] Thinking about how your lifestyle will change will help you determine how your needs will change as you age. What living situation would work best for your future self in all three phases of retirement?

Financial considerations: As your lifestyle changes, so will your spending. Spending patterns matter because they directly relate to the amount of cash flow needed. Housing costs are especially important to be aware of because they typically take up the largest share of retirees' annual expenditures.[4] Be

sure to account for these costs when estimating retirement spending. Not only are housing costs an important consideration, but so is home equity. Home equity should play a role in your retirement plan because prudently managed borrowing facilities tied to your home's value can add flexibility and robustness to your financial plan. What impact will your housing costs and home equity have on your budgetary flexibility?**

Even if you're considering remaining in your current home during retirement, make sure you evaluate your home's suitability as objectively as possible, as though you're a first-time home buyer. A home's sentimental value and the convenience of not having to move make staying at home an appealing option, but make sure all options are thought through carefully to find what best fits into your financial plan. Home isn't just a place to live – it's also a major asset on many retirees' balance sheets. Be sure to consider both practical and financial factors when deciding whether to stay in your current home, or go.

Endnotes:

[1]Quarterly Residential Vacancies and Homeownership Fourth Quarter 2018, US Census Bureau. Release Number: CB19-10, February 2019.

[2]UBS Investor Watch, Unassisted living, 4Q 2015.

[3]UBS Investor Watch, 80 is the new 60, 4Q 2013.

[4]Consumer Expenditure Survey, US Bureau of Labor Statistics, 2017.

*The US Center for Disease Control defines "aging in place" as the ability to live in one's own home and community safely, independently, and comfortably, regardless of age, income, or ability level.

**For further UBS CIO content on budgetary flexibility, see *Matching portfolio volatility to budgetary flexibility in retirement* (19 February 2019) and *Moving the goalposts* (19 March 2019).

Ainsley Carbone, Total Wealth Strategist Americas, UBS Financial Services Inc. (UBS FS)

Appendix

UBS Chief Investment Office's ("CIO") investment views are prepared and published by the Global Wealth Management business of UBS Switzerland AG (regulated by FINMA in Switzerland) or its affiliates ("UBS").
The investment views have been prepared in accordance with legal requirements designed to promote **the independence of investment research.**

Generic investment research – Risk information:

This publication is **for your information only** and is not intended as an offer, or a solicitation of an offer, to buy or sell any investment or other specific product. The analysis contained herein does not constitute a personal recommendation or take into account the particular investment objectives, investment strategies, financial situation and needs of any specific recipient. It is based on numerous assumptions. Different assumptions could result in materially different results. Certain services and products are subject to legal restrictions and cannot be offered worldwide on an unrestricted basis and/or may not be eligible for sale to all investors. All information and opinions expressed in this document were obtained from sources believed to be reliable and in good faith, but no representation or warranty, express or implied, is made as to its accuracy or completeness (other than disclosures relating to UBS). All information and opinions as well as any forecasts, estimates and market prices indicated are current as of the date of this report, and are subject to change without notice. Opinions expressed herein may differ or be contrary to those expressed by other business areas or divisions of UBS as a result of using different assumptions and/or criteria.
In no circumstances may this document or any of the information (including any forecast, value, index or other calculated amount ("Values")) be used for any of the following purposes (i) valuation or accounting purposes; (ii) to determine the amounts due or payable, the price or the value of any financial instrument or financial contract; or (iii) to measure the performance of any financial instrument including, without limitation, for the purpose of tracking the return or performance of any Value or of defining the asset allocation of portfolio or of computing performance fees. By receiving this document and the information you will be deemed to represent and warrant to UBS that you will not use this document or otherwise rely on any of the information for any of the above purposes. UBS and any of its directors or employees may be entitled at any time to hold long or short positions in investment instruments referred to herein, carry out transactions involving relevant investment instruments in the capacity of principal or agent, or provide any other services or have officers, who serve as directors, either to/for the issuer, the investment instrument itself or to/for any company commercially or financially affiliated to such issuers. At any time, investment decisions (including whether to buy, sell or hold securities) made by UBS and its employees may differ from or be contrary to the opinions expressed in UBS research publications. Some investments may not be readily realizable since the market in the securities is illiquid and therefore valuing the investment and identifying the risk to which you are exposed may be difficult to quantify. UBS relies on information barriers to control the flow of information contained in one or more areas within UBS, into other areas, units, divisions or affiliates of UBS. Futures and options trading is not suitable for every investor as there is a substantial risk of loss, and losses in excess of an initial investment may occur. Past performance of an investment is no guarantee for its future performance. Additional information will be made available upon request. Some investments may be subject to sudden and large falls in value and on realization you may receive back less than you invested or may be required to pay more. Changes in foreign exchange rates may have an adverse effect on the price, value or income of an investment. The analyst(s) responsible for the preparation of this report may interact with trading desk personnel, sales personnel and other constituencies for the purpose of gathering, synthesizing and interpreting market information.
Tax treatment depends on the individual circumstances and may be subject to change in the future. UBS does not provide legal or tax advice and makes no representations as to the tax treatment of assets or the investment returns thereon both in general or with reference to specific client's circumstances and needs. We are of necessity unable to take into account the particular investment objectives, financial situation and needs of our individual clients and we would recommend that you take financial and/or tax advice as to the implications (including tax) of investing in any of the products mentioned herein.
This material may not be reproduced or copies circulated without prior authority of UBS. Unless otherwise agreed in writing UBS expressly prohibits the distribution and transfer of this material to third parties for any reason. UBS accepts no liability whatsoever for any claims or lawsuits from any third parties arising from the use or distribution of this material. This report is for distribution only under such circumstances as may be permitted by applicable law. For information on the ways in which CIO manages conflicts and maintains independence of its investment views and publication offering, and research and rating

methodologies, please visit www.ubs.com/research. Additional information on the relevant authors of this publication and other CIO publication(s) referenced in this report; and copies of any past reports on this topic; are available upon request from your client advisor.

Important Information about Sustainable Investing Strategies: Incorporating environmental, social and governance (ESG) factors or Sustainable Investing considerations may inhibit the portfolio manager's ability to participate in certain investment opportunities that otherwise would be consistent with its investment objective and other principal investment strategies. The returns on a portfolio consisting primarily of ESG or sustainable investments may be lower than a portfolio where such factors are not considered by the portfolio manager. Because sustainability criteria can exclude some investments, investors may not be able to take advantage of the same opportunities or market trends as investors that do not use such criteria. Companies may not necessarily meet high performance standards on all aspects of ESG or sustainable investing issues; there is also no guarantee that any company will meet expectations in connection with corporate responsibility, sustainability, and/or impact performance.

Distributed to US persons by UBS Financial Services Inc. or UBS Securities LLC, subsidiaries of UBS AG. UBS Switzerland AG, UBS Europe SE, UBS Bank, S.A., UBS Brasil Administradora de Valores Mobiliarios Ltda, UBS Asesores Mexico, S.A. de C.V., UBS Securities Japan Co., Ltd, UBS Wealth Management Israel Ltd and UBS Menkul Degerler AS are affiliates of UBS AG. UBS Financial Services Incorporated of Puerto Rico is a subsidiary of UBS Financial Services Inc. **UBS Financial Services Inc. accepts responsibility for the content of a report prepared by a non-US affiliate when it distributes reports to US persons. All transactions by a US person in the securities mentioned in this report should be effected through a US-registered broker dealer affiliated with UBS, and not through a non-US affiliate. The contents of this report have not been and will not be approved by any securities or investment authority in the United States or elsewhere. UBS Financial Services Inc. is not acting as a municipal advisor to any municipal entity or obligated person within the meaning of Section 15B of the Securities Exchange Act (the "Municipal Advisor Rule") and the opinions or views contained herein are not intended to be, and do not constitute, advice within the meaning of the Municipal Advisor Rule.**

External Asset Managers / External Financial Consultants: In case this research or publication is provided to an External Asset Manager or an External Financial Consultant, UBS expressly prohibits that it is redistributed by the External Asset Manager or the External Financial Consultant and is made available to their clients and/or third parties. For country disclosures, click here.

Version 04/2019. CIO82652744