Should you consider selling your home and renting in retirement?

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Bruce and Brenda Rennie are enjoying their retirement living on Vancouver Island.

When it comes to home ownership, we Canadians are a committed bunch. About two-thirds of us own our homes, making us among the world leaders in that category. We even have a burgeoning home-equity loan industry to help the home-rich but cash-poor stay in their houses after retiring.

But does ownership make sense? With many older Canadians approaching retirement with little savings – and some even carrying significant debt – selling the family home and renting may mean the difference between just getting by and living a life free from financial worry.

“You can be equity-rich and cash-poor: You are worth $5-million on paper, but you can’t pay for dinner because you have no liquidity,” says Scott Plaskett, a financial planner and CEO of Ironshield Financial Planning. “It’s all about liquidity in retirement, not about your net worth.”

No house? No problem. Build wealth as a renter with this aggressive investment portfolio

Opinion: Cancel the Roaring Twenties: Skip the post-COVID spendfest and use your savings for retirement instead

What you need to know about saving for retirement – and building a financially secure future

The Toronto-based planner routinely crunches the numbers for clients and, for Bruce and Brenda Rennie of Mississauga, Ont., his renting in retirement math made sense.

“I said, `If you liquidated your house and turned that illiquid asset into a liquid asset, you could actually retire now.’ A week later, I got a call, `We are putting the house up for sale.’”

That was in 2016, and the Rennies didn’t retire right away. They invested the equity from the sale, worked another two years and downsized into a nearby rented condo.

Bruce and Brenda were able to retire at 55 and the sale of their large family home was a key financial component of that decision-making.

“We were good investors during our working careers, we had no debt, did all the things they tell you to do, max out your RRSPs and TFSAs and we had the proceeds of the house too,” says Brenda.

Renting was also a revelation. The downsizing meant fewer possessions and the monthly rent was less than the mortgage on their 2,700-square-foot home, even before factoring in upkeep, utility and property taxes.

“We were happier with less stuff and there was definitely more money on a month-to-month basis,” Bruce says.

Two years later, they left Ontario for Vancouver Island and retirement, spending a year-and-a-half in short-term furnished home and apartment rentals, moving five times with only possessions they could fit in their vehicle.

“We were technically homeless for a couple of years and no fixed address,” jokes Bruce.

Last year, the couple decided they wanted to stop moving around and determined they would settle in Nanaimo, B.C., where they purchased a townhouse.

“We could’ve continued renting, but as it turned out, our investments and things had done really well and an opportunity did come up to buy back into the marketplace,” Brenda says.

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The Rennies decided to settle in Nanaimo, B.C., where they purchased a townhouse.

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The Rennies decided to sell in 2016, in part because they were worried about a potential housing bubble – something Bruce mentions with wry humour given the current overheated housing market.

Still, home-rich Canadians might consider crunching their own retirement numbers given the numerous financial industry surveys showing many of us may have neglected our retirement planning.

For instance, a 2019 Sun Life Financial survey found nearly half (47 per cent) of working Canadians believe they are at risk of outliving their savings and nearly half (44 per cent) expect to be working full time past age 65. The 2020 BDO Affordability Index survey says a quarter of Canadians have pushed out their retirement date amid the financial challenges brought on by the pandemic. A recent Ipsos Reid survey shows 59 per cent of Canadians are concerned about the effect of COVID-19 on their savings and retirement plans.

“It’s okay to be broke when you are 21, not when you are 81,” says T. Charly Fatal, managing partner of Entrepreneurs Wealth Management of Edmonton.

Mr. Fatal has advised some clients to consider renting in retirement but admits it can be an emotional decision.

“It’s math versus emotion: Emotions says `I own a home. It’s paid off.’ It just feels good. Who wants to be 70 and say, `I rent.’ It is just the pride and emotion versus the math and if you can get around that and just look at the numbers, most of the time it makes sense.”

Also, just downsizing in retirement by selling the family home for something smaller might not net you as much as you think.

From their perch on Vancouver Island, the Rennies have seen the waves of higher prices in places such as Toronto and Vancouver have landed on their shores in a recent runup in real estate prices.

“That trick of collapsing an expensive house in Toronto and buying a cheaper house somewhere else is still doable, but you are not going to bank as much equity as you were going to a few years ago,” says Bruce Rennie, citing the rising prices of homes in smaller communities across the country in recent months.

“I think renting is going to have to be something that people look at if they want to retire at a reasonably young age.”