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The decision to downsize your home involves numerous factors that are unique to your personal financial situation and goals. The scenarios and figures presented are illustrative and may not be applicable to your specific circumstances.

No action should be taken based solely on the contents of this report. We strongly recommend that you seek personalized advice from a qualified financial advisor, tax specialist, and real estate professional before making any decisions related to downsizing your home.

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# To Downsize or not to Downsize? That is the question.....

This is a classic "empty nester" dilemma, and there's no single right answer. The best choice depends entirely on your financial goals and desired lifestyle for the next chapter of your lives.

Here's a breakdown of the pros and cons for your situation.

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## Option 1: Downsize to a Condo 🏢

Downsizing is primarily a decision to trade space and maintenance for simplicity and financial flexibility. The core idea is to unlock the equity in your home to supercharge your retirement savings.

### Pros:

- **Financial Liberation 💰:** Selling a larger home in Greater Toronto Area and buying a smaller condo could potentially eliminate your mortgage entirely. The remaining profit can be invested, drastically accelerating your retirement nest egg. Your monthly cash flow would increase significantly due to lower (or no) mortgage payments, lower property taxes, and reduced utility bills.
- **Maintenance-Free Living:** This is a huge lifestyle benefit. Condo fees cover exterior maintenance, so there's no more worrying about roofing, windows, lawn care, or snow removal. This frees up both time and money for other pursuits.
- **"Lock and Leave" Lifestyle ✈️:** For a couple that wants to travel, a condo is ideal. You can simply lock the door and leave for weeks or months without worrying about the upkeep of a house.
- **Amenities and Community:** Many condo buildings offer amenities you wouldn't have at home, like a gym, pool, party room, or security/concierge services. This can also provide a built-in social community.

### Cons:

- **Condo Fees:** While you eliminate many maintenance costs, you gain a significant monthly condo fee. These fees can, and often do, increase over time. You also face the risk of "special assessments" for major unexpected repairs, which can cost thousands of dollars.
- **Less Space and Privacy:** You will have significantly less living and storage space. You'll also be living in close proximity to your neighbors, which means less privacy and the potential for noise issues.

- **Rules and Restrictions:** Condo boards have rules that can govern everything from the color of your window coverings to pet ownership and when you can have visitors. You give up a lot of personal autonomy.
  - **Emotional Toll:** Leaving the home where you raised your family can be emotionally difficult. It's a place filled with memories, and downsizing can feel like a step down for some.
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## Option 2: Stay in the House

Staying put is often the emotionally comfortable choice, prioritizing stability and familiarity over financial optimization.

### Pros:

- **Emotional Anchor:** The comfort and stability of the family home are invaluable. You have your space, your privacy, your garden, and the memories you've built.
- **Space for Family:** You'll have plenty of room for when your kids—and future grandkids—come to visit and stay over.
- **Greater Financial Appreciation:** Historically, detached homes in areas like Mississauga have appreciated in value more than condos. Your house remains a powerful asset.
- **No Transaction Costs:** You avoid the significant costs of selling and buying, which include realtor commissions, land transfer tax, and legal fees. These costs can easily eat up \$50,000-\$100,000+ of your equity.

### Cons:

- **Ongoing Maintenance Costs:** A house is a money pit. As the home ages, you face large, unpredictable expenses like replacing the roof, furnace, or major appliances. These costs only increase over time.
  - **Physical Upkeep:** The physical labor of maintaining a house and yard can become more challenging as you age.
  - **"House Poor" Risk:** The money tied up in your home is **illiquid equity**. It's not growing in the market or generating income for your retirement. You could be living in a valuable asset but have limited cash flow for travel and hobbies.
  - **Inefficient Space:** You'll be paying to heat, cool, and pay taxes on rooms you no longer use, which is an inefficient use of your money.
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## Key Questions to Ask Yourselfs

1. **Run the Numbers Honestly:** Don't just estimate. Get a real market valuation for your home. Factor in all transaction costs. Calculate your current monthly home expenses (mortgage, tax, insurance, utilities, average maintenance) and compare them to a condo's (potential mortgage, tax, insurance, utilities, condo fees). How much money would *actually* be left over to invest?
2. **What Does Your Ideal Future Look Like?:** Do you dream of travelling the world, or do you dream of gardening and hosting big family dinners? Be honest about what you want your day-to-day life to be like in 5, 10, and 20 years.
3. **Are You Emotionally Ready?:** Acknowledge the sentimental attachment. Can you see yourselves being happy in a smaller, new space, or would you constantly miss your old home?
4. **How Does This Home Fit Your 80-Year-Old Selves?:** Think about future mobility. Are stairs going to become a problem? Is the physical upkeep of a house realistic in the long term?

# An Example: The Numbers (a quick and dirty calculation)

## The Starting Point: September 2025

Let's establish our baseline for this 50-year-old couple.

- **Original Home Purchase (2005):** They bought a 3-bedroom detached home in Mississauga for \$350,000.
- **Original Mortgage:** They made a \$35,000 down payment (10%) and took a \$315,000 mortgage over 25 years. We'll assume they renewed it over the years.
- **Current House Value (2025):** That home is now worth approximately \$1,400,000.
- **Remaining Mortgage (2025):** After 20 years of payments on a 25-year amortization, their remaining mortgage balance is approximately \$55,000.
- **Current Home Equity:** \$1,400,000 (Value) - \$55,000 (Mortgage) = \$1,345,000.

Now, let's project their financial position at retirement (age 65, in 2040) under two different scenarios.

## Scenario 1: Stay in the House for 15 More Years

In this scenario, they continue with the status quo, pay off their mortgage, and remain in the family home.

### Assumptions:

- **Future House Appreciation:** A conservative average of 3% per year.
- **Monthly Costs (House):**
  - Property Tax: \$500
  - Insurance: \$150
  - Utilities (Gas, Hydro, Water): \$400
  - Maintenance Fund (crucial for an aging home): \$500/month average.
  - Total Monthly Cost (after mortgage is paid): ~\$1,550

### Financial Outcome at Retirement (2040):

1. **Future House Value:** \$1,400,000 growing at 3% for 15 years = \$2,181,000.
2. **Remaining Mortgage:** \$0 (Paid off in 2030).
3. **Retirement Savings:** Their retirement savings will only come from their employment income, as no capital is unlocked from the house.

### Net Worth Position at Retirement (Age 65):

- **Primary Asset:** A fully paid-off house worth approximately \$2.18 Million.
- **Liquid Assets:** \$0 (from the house).
- **Retirement Lifestyle:** They will be "house rich" but potentially cash-flow sensitive, living off their workplace pensions and other retirement savings. Major home repairs would require dipping into those savings.

## Scenario 2: Sell, Downsize to a Condo, Invest the Difference

Here, they sell the house now (2025), buy a condo, and invest the profit for 15 years.

### Assumptions:

- **Condo Purchase Price (2025):** A modern 2-bedroom condo for \$750,000.
- **Future Condo Appreciation:** 3% per year (same as the house).
- **S&P 500 Index Fund Return:** A historical average of 8% per year.
- **Monthly Costs (Condo):**
  - Property Tax: \$300
  - Condo Fees (incl. water, some utilities, ext. maintenance): \$700
  - Insurance: \$50
  - Utilities (Hydro): \$100
  - Total Monthly Cost: ~\$1,150 (a savings of \$400/month vs. the house).

### The Number Crunch (2025):

1. **House Sale Proceeds:**
  - Sale Price: \$1,400,000
  - Less Realtor Fees (~5%): -\$70,000
  - Less Legal Fees: -\$2,500
  - Less Mortgage Payoff: -\$55,000
  - **Net Proceeds from Sale: \$1,272,500**
2. **Condo Purchase Costs:**
  - Purchase Price: \$750,000
  - Plus ON/Mississauga Land Transfer Tax: +\$23,450
  - Plus Legal Fees: +\$2,500
  - **Total Cost of Condo: \$775,950**
3. **The Investment Fund:**
  - \$1,272,500 (Net Proceeds) - \$775,950 (Condo Cost) = \$496,550
  - This is the amount they invest immediately.

### Financial Outcome at Retirement (2040):

1. **Future Value of Investment (Lump Sum):** \$496,550 invested for 15 years at 8% annual return = **\$1,575,000**.
2. **Future Value of Investment (Monthly Savings):** The \$400 monthly savings from lower carrying costs, invested for 15 years at 8%, grows to an additional **\$138,000**.
3. **Future Value of Condo:** \$750,000 growing at 3% for 15 years = **\$1,168,000**.

### Net Worth Position at Retirement (Age 65):

- **Primary Assets:** A paid-off condo worth **\$1.17 Million** PLUS a total liquid investment portfolio worth **~\$1.71 Million**.
- **Total Net Worth: \$2.88 Million.**

- **Liquid Assets: \$1.71 Million.**
- **Retirement Lifestyle:** They have substantial liquid assets to draw from, providing immense flexibility for travel, hobbies, and covering any healthcare costs. Their monthly living expenses are also lower.

## Head-to-Head Comparison at Retirement (Age 65)

Metric	Scenario 1: Stay in House	Scenario 2: Downsize & Invest	Winner
<b>Total Net Worth</b>	~\$2.18 Million	<b>~\$2.88 Million</b>	Downsize
<b>Liquid (Invested) Assets</b>	\$0	<b>~\$1.71 Million</b>	Downsize
<b>Primary Residence Value</b>	~\$2.18 Million	~\$1.17 Million	Stay
<b>Financial Flexibility</b>	Low (Tied to home)	High (Liquid portfolio)	Downsize
<b>Est. Monthly Living Cost</b>	~\$1,550 (plus major repairs)	~\$1,150 (plus special assessments)	Downsize

## Conclusion:

From a purely numerical standpoint, the decision is overwhelmingly clear. Downsizing unlocks nearly half a million dollars of trapped equity, which, when invested over 15 years, grows into a massive liquid nest egg. The couple in Scenario 2 enters retirement with **~\$700,000 more in total net worth** and, more importantly, with **\$1.71 million in liquid assets**. This completely transforms their retirement, providing security, flexibility, and a much higher potential income stream.

The decision to stay in the house is therefore not a financial one, but an emotional and lifestyle one. They would be sacrificing significant financial freedom for the comfort, space, and familiarity of the family home.

## Revised calculation based on zero growth for condo

Here is the revised analysis assuming the condo experiences zero appreciation over the 15-year period.

The core financial details from 2005 to the present in 2025 remain unchanged. The couple, aged 50, has **\$1,345,000 in home equity**. The two scenarios below project their financial position at retirement (age 65) in 2040.

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### Scenario 1: Stay in the House for 15 More Years

This scenario remains the same as the original analysis, as it is not affected by condo appreciation rates. They continue living in their home and pay off the mortgage.

- **Assumptions:**
    - Future House Appreciation: 3% per year.
    - Total Monthly Costs (after mortgage): ~\$1,550.
  - **Financial Outcome at Retirement (2040):**
    - **Future House Value:** \$1,400,000 growing at 3% for 15 years = **~\$2.18 Million.**
    - **Liquid Assets (from home):** \$0.
    - **Retirement Lifestyle:** They will be "house rich," with their primary net worth tied up in their home. Their cash flow will depend entirely on pensions and other savings, and any major home repairs could be a financial strain.
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### Scenario 2: Sell, Downsize to a Condo, and Invest the Difference (Revised)

In this revised scenario, they sell their house in 2025, buy a condo, and invest the profit. The key assumption change is that the condo's value does not increase at all over the next 15 years.

- **Assumptions:**
  - Condo Purchase Price (2025): \$750,000.
  - **Future Condo Appreciation: 0% per year.**
  - S&P 500 Index Fund Return: 8% per year.
  - Total Monthly Costs (Condo): ~\$1,150.
- **The Initial Transaction (2025):**

The funds available for investment are calculated in 2025 and are unchanged:

  - Net Proceeds from House Sale: \$1,272,500
  - Total Cost of Condo Purchase: \$775,950
  - **Amount to Invest:** \$1,272,500 - \$775,950 = **\$496,550.**



- **Financial Outcome at Retirement (2040):**
  - **Future Value of Investment:** \$496,550 invested for 15 years at 8% annual return = **~\$1.58 Million.**
  - **Future Value of Condo:** \$750,000 growing at 0% for 15 years = **\$750,000.**
- **Net Worth Position at Retirement (Age 65):**
  - **Primary Assets:** A paid-off condo worth **\$750,000** PLUS a liquid investment portfolio worth **~\$1.58 Million.**
  - **Total Net Worth:** \$750,000 + \$1,575,000 = **~\$2.33 Million.**
  - **Liquid Assets:** **\$1.58 Million.**
  - **Retirement Lifestyle:** They possess substantial liquid assets, providing enormous flexibility for income, travel, and healthcare. Their monthly costs are also lower.

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## Head-to-Head Comparison at Retirement (Age 65)

This table compares the financial outcomes of both scenarios at age 65.

Metric	Scenario 1: Stay in House	Scenario 2: Downsize & Invest (0% Condo Growth)	Winner
Total Net Worth	~\$2.18 Million	<b>~\$2.33 Million</b>	<b>Downsize</b>
Liquid (Invested) Assets	\$0	<b>~\$1.58 Million</b>	<b>Downsize</b>
Primary Residence Value	<b>~\$2.18 Million</b>	\$750,000	<b>Stay</b>
Financial Flexibility	Low (Tied to home)	<b>High (Liquid portfolio)</b>	<b>Downsize</b>
Est. Monthly Living Cost	~\$1,550	<b>~\$1,150</b>	<b>Downsize</b>

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## Conclusion

Even under the pessimistic assumption of **zero appreciation** for the condo over 15 years, **downsizing remains the overwhelmingly superior financial decision.**

While the total net worth advantage shrinks from ~\$570,000 in the original analysis to a more modest ~\$150,000, that is not the most important takeaway. The critical factor is the creation of a **\$1.58 million liquid investment portfolio**. This fund provides true financial freedom, generating income and shielding the couple from the financial shocks of unexpected expenses.

The growth of the unlocked equity in the market is so powerful that it completely outweighs the lack of appreciation in the condo itself. The choice to stay in the house remains an emotional one, but this analysis shows that even in a stagnant real estate market for their new home, they would be sacrificing significant financial flexibility and security by not downsizing.

In the end it comes down to emotion versus the numbers. Some people want to stay in their homes and enjoy their remaining years where they raised their families. Others are not so attached.

Whatever decision you make will always be the best decision for you.

A handwritten signature in black ink, appearing to read 'Peter Fuller', with a stylized, cursive script.

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