

Posted on Tue, Nov. 29, 2011

Kat's Money Corner | Changing gears at the checkered flag

By KAT

There's no shortage of advice about preparing for retirement. What about living it?

Life goes on when the paychecks stop coming, and no matter how well you've prepared, there are major adjustments to make to your budget spreadsheet so you can maintain the lifestyle you've worked for all these years.

If you're close to retirement, you've probably realized how important careful budgeting is going to be. A lot of you have probably had to majorly overhaul your retirement plans, thanks to the downturns in the stock and housing markets. A recent [Bloomberg Businessweek article](#) offers blunt advice: "You may have to lower your expectations – and work longer."

As a person almost in my 30s with a long way to go to retirement, I can't speak from experience here. But I do have friends and relatives who are enjoying retirement, and one choice many of them have made is to downsize their living space.

It's a choice that makes sense in so many ways. There's less space to maintain, and to pay to heat and cool. Many retirees opt for communities that provide maintenance so they don't have to worry about mowing grass or shoveling snow. You even have the option to rent or even buy in these communities, giving you a variety of options when it comes to living AND spending.

If you're downsizing from a larger primary residence to a smaller property or even a rental, you can convert your remaining equity to cash without paying capital gains taxes – provided your total gain is less than \$250,000 for an individual, or \$500,000 for a married couple. (Be sure to double check with your tax advisor before making a decision of this magnitude. IRS regulations – there's a lot of them – [are here.](#))

This boost can make a real difference in your retirement savings, especially if your retirement accounts have taken a recent hit because of market downturns. Of course, home values have taken a hit too, so you may want to consider sitting on that bigger house a while longer to see if home prices rebound.

Downsizing also means less space, so that means hanging on to less stuff. You can view that as a loss – or choose to view it as an opportunity to make some money. Some of your stuff may be worth a lot more than you realize. Bankrate has lots of advice on that and other aspects of retirement downsizing. [here](#)

As for day-to-day budgeting, remember your health care will no longer be a matter of payroll deduction; you'll have, [Medicare](#) but your premiums for medigap and prescription drug coverage will be out-of-pocket costs you'll have to start paying along with all your other monthly bills.

Also, remember that the basics of budgeting still apply in retirement...and are probably more important at this time in your life. You still need an emergency fund, you still want to avoid high-interest debt, and you still need to separate wants from needs, making sure your needs are covered before you spend on wants.

Finally, try not to let the gloom and doom get you down. Sure, your investments may have taken a hit. But people are still retiring, and finding comfort and fun in their golden years. You can, too. Planning and discipline now will make all the difference in the world.

The Money Corner is posted on Dollars & Sense every Tuesday. Kat Hnatyshyn, when not blogging or caring for her newborn, is a manager with CommunityAmerica Credit Union.

For more financial chatter, click <http://twitter.com/savinmavens>"> here.