

FROM THINKING YOUR ABOUT ADVISOR DOWNSIZING?

Selling the family home requires careful planning. You need to have a realistic idea of what your home is worth and the costs associated with selling it

Canada's housing market has been on a terrific run. Low interest rates have pushed home values up and are tempting baby boomers to downsize to add to their nest egg.

But the decision to sell your family home isn't one that can be rushed. Such a decision requires careful planning, with discussions that, in some cases, should start years before you list your home for sale.

And if you don't start talking about the decision well in advance, you could end up in a situation in which your family is forced to make decisions for you.

Sophie Salcito, a financial advisor with Credential Securities Inc. in North Vancouver, B.C., says including your children in the discussions about the family home is important.

"There is definitely a very emotional part of this decision that you also have to think about," she says.

Salcito says a decision involves figuring out your priorities. "Maybe you'd like to retire early," she says, "and you can only really make early retirement happen if you release funds from a large property that you don't need."

If you've owned your house for a long time, you probably want to sell it for a lot more than you paid, especially if you live in a hot market such as Toronto or Vancouver.

The good news is that you probably will be able to avoid paying capital gains taxes on the sale because the house is your principal residence.

But selling in a hot market also could mean having to buy in a hot market, unless you're looking to move to an area where real estate is cheaper.

A new condo in a trendy neighbourhood may be almost as expensive as your house. And although selling a house will rid you of the costs and the little chores you need to do to keep and maintain the property, condos come with monthly fees that can take a big bite out of your budget.

Sandra Henderson, senior vice president, Eastern Ontario, with Bank of Montreal in Ottawa, says having a realistic idea of

what your home is worth and the costs associated with selling is important when considering a plan to downsize.

"I think most people have a tendency to overevaluate their home," Henderson says, "so getting a third-party evaluation of your house is very important, so you know what you're going into."

Real estate agents' fees, the expenses for movers, land transfer taxes and the cost to set up a new home also will eat into the amount you receive from the sale of your home.

Henderson cautions that a common mistake is to downsize into a home that turns out to be too small: "And then you're back two years later having to redo and going into something a bit larger."

But selling your family home is about more than the money or reducing the number of bathrooms you need to clean.

Saying goodbye to the dining room in which you hosted family get-togethers and holiday dinners for so long can be difficult and very emotional. And not selling may be the right decision for you, depending on your circumstances.

Says Henderson: "People underestimate the emotion of leaving that home that they've been in for decades."

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By Craig Wong (CP)