



# Can I afford to downsize?

**Whatever the reason for downsizing, it's important to find out how it will affect you financially. Use our handy checklist below to find out whether you can afford to downsize. Think about the questions listed below and make notes about your current situation. Then you can take this template to your financial planner to discuss your options further.**

## **01. Can I afford to buy before I sell?**

What happens if you find the home of your dreams but you still haven't sold your current one? It can be a dangerous game to play, as settlement will force you into a hard deadline to get out of your current home and into your downsized residence. Consider whether you have the funds to stay afloat if you buy before selling, or whether it's better to sell first and then look around.

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## Q2. Can I afford a real estate agent's fees?

The commission fee for real estate agents differs from state to state and also depends on the agency you go with. But generally, you'll be charged in the vicinity of 1.5% to 2.5% of the sale price in metro areas, and 2.5% to 3.5% in regional areas (due to lower property prices).<sup>1</sup>

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## Q3. Will it affect my Centrelink payments?

If you're currently receiving Centrelink benefits and want to apply for a home loan, your approval will depend on the lender and your current financial situation.<sup>2</sup> You'll need to consider whether this is the right time to downsize if it impacts your regular benefit payments.

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## Q4. Are interest rates currently favourable?

If you're taking out a home loan, you'll want a lender that is both reliable and offers a low interest rate on your borrowings. It's not always the wisest decision to stick with your current lender, so compare different deals online to get one that suits your budget and downsizing needs.

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<sup>1</sup>How much are real estate agent fees and commissions? – Upside  
<sup>2</sup>Can I get a home loan while receiving Centrelink payments? – Uno Home Loans

## Q5. How much will I have to pay in stamp duty for my new property?

As you already know, the cost of buying a house doesn't mean just the house. There are additional expenses to consider, such as stamp duty. This is determined by the value of the home you're purchasing, and it differs in every state.<sup>3</sup>

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## Q6. Can I afford to downsize if I'm moving to a more expensive city?

Just because you plan to buy a smaller home, that doesn't mean it will be cheaper – especially if you're moving from a regional town to a more expensive city. Do some investigating beforehand to ensure your downsizing options are within budget. Also consider the average cost of amenities (public transport, fuel, dining out, etc.) if you're moving to a different part of the country.

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## Q7. Will my new home be big enough to accommodate visitors?

Moving from a four-bedroom house to a one-bedroom apartment, for example, may be very kind on your purse strings, but will you still be able to have visitors stay? If you have kids, friends or other family who will be coming home for the holidays, it might be worth considering whether a more moderate-sized home is better to downsize to.

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<sup>3</sup>The ultimate guide to stamp duty in Australia – Cohen Handler

## Q8. Is now the right time to downsize, considering the current market?

House prices fluctuate over the course of several years, and while it's always great to sell during a boom (higher sale price), if you're downsizing you'll also be buying in a boom, which means inflated home prices. The opposite is also true. Depending on your finances, consider whether the current state of the housing market is the right time for you to downsize.

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## Q9. Will the cost of my utility bills change?

Are you moving to a different suburb, or even a new city? The cost of things like electricity, gas and water differ depending on what part of Australia you live in. Do a bit of research and see whether you'll end up paying more or less on bills in your new downsized home.

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## Q10. Is my new home close to essential facilities, public transport and medical centres?

As we get older, it's important that all the most essential facilities are close by – not only in case of an emergency but for financial reasons too. If you need to spend money on public transport, cabs or constantly fuelling up because your doctor is half an hour away, it could end up costing you big.

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If you're interested in downsizing but aren't sure what type of home insurance you need, call the experts at **Australian Seniors** on 13 13 43 to find out how we can help.



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