

# RETIREMENT

## Boomers warned using home sale to fund retirement could backfire



**GARRY MARR** | Oct 31, 2012 6:00 AM ET | Last Updated: Oct 31, 2012 6:22 PM ET  
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BMO says tighter lending standards and higher interest rates could reduce the number of eligible homebuyers and push people into smaller and less expensive homes. Tyler Anderson/National Post

About a third of Baby Boomers plan to sell their home to fund their retirement, according to a study that questions whether buyers will dry up as that massive segment of the population downsizes.

Bank of Montreal is warning Boomers not to count on that nest egg, while other observers suggest that even if prices don't plunge, big increases in property values are a thing of the past.

"They shouldn't be relying on their homes because there are risks," says Marlena Pospiech, a retirement strategist at the BMO Retirement Institute.

The bank suggests the following risky scenario: As Canada's population ages, more Boomers will be retiring and selling their homes, putting downward pressure on prices.

**[Boomers] could be in serious financial trouble if they are relying on their home, especially if they are highly leveraged**

BMO also says tighter lending standards and higher interest rates could reduce the number of eligible homebuyers and push people into smaller and less expensive homes.

The bank's survey suggests 34% of homeowners are unsure if they will sell their home before retirement. The concern seems to be that 40% of respondents say they are not confident in their ability to save for retirement and 41% say they might just end up using their homes to shore up any shortfall in their golden years.

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"You want to have options when you retire, you don't want to feel you are forced to sell to tap into any equity," says Ms. Pospiech, adding the problem is compounded if prices fall. "[Boomers] could be in serious financial trouble if they are relying on their home, especially if they are highly leveraged."

Don Lawby, chief executive of Century 21 Canada, has heard warnings about a lack of buyers for Boomer homes before. "I don't buy it; I think it's just talk," he says.

For starters, he says, there is little indication immigration is going to slow and, increasingly in places like the Vancouver area, where he resides, immigrants have more money to buy the single-family homes of the Boomers.

"I think single-family detached are becoming a bit of a luxury," says Mr. Lawby. But he says even townhouses and condos will continue to rise in price because of rising land costs. "They are not making any more land."

He says prices in big cities, in particular, will continue to rise and increase equity that could some day fund a retirement.

"If I had wonderful single-family home in [a small town], I can't retire on the increased value, but in major cities I think they are just wrong."

That might sound like the usual realtor's optimism, but demographers say a collapse in prices based on Boomer homes flooding the market isn't reality either.

"There is going to be continuing demand for housing as long as we bring in 250,000 immigrants a year," says Doug Norris, chief demographer at Environics Analytics.

Given the creation of about 175,000 households each year (based on the latest census data), that's plenty of demand.

Boomers are also living longer and may not downsize as quickly as they have in the past.

"There is just no strong evidence of what will happen," says Mr. Norris.

Demographer David Foot, author of *Boom, Bust and Echo*, believes there are enough children of Boomers to soak up the housing supply.

"The Boomers have been averaging about two kids per family [in the U.S.] and replacing themselves," says Mr. Foot. "It's a bigger issue in Canada because the Boomers only had about 1.6 or 1.7 kids per family. The echo isn't quite as big."

He predicts the twenty somethings today that have been driving the condo market will at some point buy into single-family detached homes.

"There are enough of them to buy the Boomers' houses."

His more pressing worry is for the condominium segment.

"It is question of whether they will move out to the suburbs to raise their kids like every other generation has," says Mr. Foot. "My concern is who will buy all the condos when the twenty somethings vacate them."

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