RETIREMENT

Amid soaring prices, retired Canadians are staying in their homes: ‘This is a wake-up call for all of us’

ANNA SHARRATT
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Ninety-six per cent of Ontario seniors over age 55 currently plan to remain in their own homes for as long as possible. Mary Deanne Shears is one of them.
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Mary Deanne Shears is sitting tight. The 77-year-old Toronto-based former journalist had planned to downsize. But when the pandemic hit, she realized that the modest suburban

Toronto home she once shared with her late husband was where she wanted to be. "I came to appreciate my garden in the past two years," she says. It's something she doesn't want to give up.

Then there's the financial impact of moving. "I couldn't sell my house and find a condo downtown," she says. "Everything is so expensive."

Now that Ms. Shears has made the decision to stay, she hopes her savings will carry her through. Although she has a defined benefit pension plan, she worries about the high costs of home care. She says she's contemplated a reverse mortgage to free up funds in the future.

"I have a fair nest egg – but it all depends on how long I have to live," she says.

"Most of us want to age in the home." Ms. Shears calls the fallout from the pandemic "a wake-up call for all of us."

Ninety-six per cent of Ontario seniors over age 55 currently plan to remain in their own homes for as long as possible, according to a September 2021 poll by Campaign Research. "You don't see many people moving over age 65," says Jason Heath, managing director, Objective Financial Planners in Markham, Ont.

The reasons are clear. Many have watched with panic as long-term care residents bore the brunt of the pandemic, with thousands dying and many forced to isolate for months. "The pandemic has created an opportunity to rethink a number of different approaches to aging," says Dr. Samir Sinha, director of Health Policy Research and co-chair of Ryerson University's National Institute on Ageing. "They're thinking: 'I don't want to be one of those statistics on the news.'"

But with the sudden change in plans come unexpected financial costs. Many older Canadians are not prepared for the high costs of home care, home repairs, and the lack of capital that selling their home would have freed up. They require new approaches, such as delaying Canada Pension Plan/Quebec Pension Plan benefits, considering a reverse mortgage, and purchasing insurance.

Others can't move because the costs of new dwellings are not much less than the homes they're in. And they don't want to leave their neighbourhoods where they have access to friends or health care providers. "Condo prices in some areas aren't much less," says Mr.

Heath. “I’ve been hearing: ‘I can’t downsize in my own neighbourhood.’” For example, in the Don Mills area where Ms. Shears lives, condos can fetch as much as $1.1-million, and the average property price is $1.4-million.

So people like Ms. Shears stay – and hope for the best.

“But is that even a practical option?” asks Dr. Sinha. His research shows the average Canadian’s median savings at retirement is $3,500 – leaving their home as the sole source of income.

Worse, many are unaware of the costs of home care. Dr. Sinha says the most the government will pay for home care is $3,500 a month, which amounts to three hours a day. A senior can expect to pay upward of $25,000 a month, he says, for 24-hour care from a personal support worker.

Then there are the repair costs of the home, the costs associated with ensuring the home is safe. “Most Canadians are not financially prepared to retire,” says Dr. Sinha.

For Canadians in their 50s and 60s who want to stay in their homes, when to take their CPP should be top of mind, says Bonnie-Jeanne MacDonald, director of Financial Security Research at the National Institute on Ageing. “It’s one of the most important decisions to make,” she says. “If they wait until age 70, they can more than double their pension. They’re giving up a huge amount by taking it early.”

A $1,000 a month CPP/QPP benefit at age 60 grows to $2,218.75 if a person retires at age 70, finds a report by Ryerson University’s National Institute on Ageing and the FP Canada Research Foundation.

Mr. Heath says that younger Canadians in their 40s and 50s should also get a line of credit as it’s harder to secure at an older age. “That line of credit can be a great emergency fund pre and post retirement,” he says.

Another option is a reverse mortgage, says Mr. Heath. A loan that allows you to get money from your home equity without having to sell, it offers up to 55 per cent of the home’s current value. “Reverse mortgages get a lot of bad press,” he says. But despite the high interest rates associated with them, “there are also big costs to downsize,” he says. These include land transfer fees, taxes, realtor commissions, legal fees and moving costs. “It can cost you 10 per cent of your home’s value to move into a smaller home,” he says.

Provincial government grants can help to offset renovations needed to make a home more accessible for lower-income seniors.

As for home care costs, Mr. Heath says long-term care insurance, although expensive, can help alleviate costs of care down the road. “Critical illness insurance might also help in some scenarios,” he says, as it will pay out if someone suffers a heart attack, stroke or develops cancer. Attendant care costs – care by someone other than your spouse – can also be claimed in your taxes.

Ms. Shears is preparing for the years to come, realizing that her plans might change. She’s armed herself with a watch that will alert medical authorities if she falls. And she lives within her means to preserve her savings.

“I hope this is enough,” she says.