

## Should I Buy My Retirement House Now? | Biz Brain

By Karin Price Mueller | NJMoneyHelp.com for NJ.com  
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**Q. I'm 48 and I know where I want to retire. How can I decide if I should buy a house now and rent it out with the plan of moving there eventually?**  
**-- Planning Ahead**

**A.** Knowing where you want to live in retirement can give you a big leg up in your long-term planning. Indeed, starting a new chapter of your life in a fresh location can be exciting, but it can also be challenging in terms of your personal finances.

Let's look at your question.

Rental property often offers larger deductions and tax benefits than most investments, said George Kiraly, a certified financial planner with LodeStar Advisory Group in Short Hills.

"When you own a rental property, the IRS allows you to deduct the ordinary and necessary expenses for managing, conserving and maintaining your rental property," he said. "These expenses may include mortgage interest, property tax, operating expenses, depreciation, and repairs."

There are a lot of details we're missing from your plans, such as: Are you moving out of state? How well do you know the area? When will you be retiring? Do you own a home now? Are you planning to purchase a free-standing single family home or a condo in a planned community? What kind of financial shape are you in? What does your cash flow look like?

These are all questions to ask yourself as you contemplate your future plans, Kiraly said.

Assuming you can afford to buy another home and rent it out, he said, there are a few other issues you should consider.

First, learn as much as you can about your target market and the nuances of the neighborhoods within that market.

"The neighborhood you choose can have a big impact on your lifestyle - safety, available amenities, and convenience - are all important to most homeowners," Kiraly said. "Your local city economic development office can tell you whether income and property values in the neighborhood are stable and/or rising."

You'll also need to know what the inventory of houses and rents are in the area, he said.

Second, familiarize yourself with the responsibilities of a landlord if you intend to buy a rental property.

"Buying the right property is a challenge in itself, but being a landlord can be daunting. Are you really ready to become a landlord?" he said. "You have to be willing to get your hands a little dirty."

All real estate comes with potential issues such as leaky roofs, overflowing toilets, faulty furnaces and more. You, as the owner, have to deal with those problems, Kiraly said, and finding the right tenants can also be a real challenge.

Next, look more closely at the finances by adding up all the possible expenses of owning a rental property.

Kiraly said you'll want to make sure that the property has a positive cash flow, and consider whether you can fit all the projected expenses into your budget with room to spare.

"Don't forget to include the cost of a property management company in your calculations, especially if you buy a second property that is far distance from your primary residence," he said. "Recognize, too, that your rental property may be vacant for a while and you may incur possibly other unexpected expenses." Potential landlords often underestimate how much it actually costs to maintain a rental property, he said.

Finally, he recommends you team up with an experienced real estate and/or mortgage professional, preferably someone who owns and specializes in rental property. A local realtor will be able to provide you with information about rental prices in the neighborhood and can even help you hire a property manager if the property is in another state, he said.

"Before you start to move forward with your plan, review your personal balance sheet and cash flow statements to ensure that they are strong enough to support your potential endeavor," Kiraly said. "And keep in mind, your views about the kind of lifestyle you want may change ten or fifteen years from now, when you're set to retire."

Email your questions to [Ask@NJMoneyHelp.com](mailto:Ask@NJMoneyHelp.com).

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