

RETIRING

Retirees Expect Their Home to Be a Financial Safety Net. They Shouldn't.

Older homeowners often can't afford to maintain their houses or don't understand the value in updating them. And that can mean thousands lost when they sell.

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Homeownership has historically been the most common way for families to grow wealth and pass it on. Homeowners aged 70 and older hold \$13 trillion in housing wealth, or roughly one out of every four dollars' worth in the country, according to a March analysis by the real estate platform Redfin.

With the youngest baby boomers now 62 — the earliest age for claiming Social Security retirement benefits — many expect that wealth to keep them financially secure as they age, acting as a source of capital to fall back on if they need it.

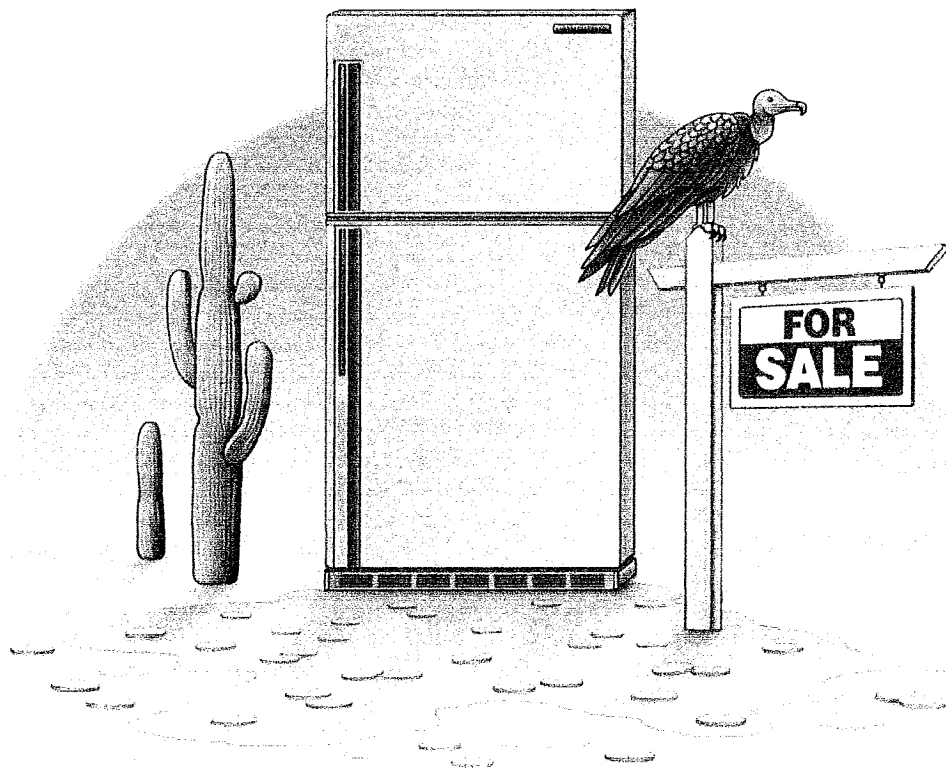
This can be a risky strategy, new research shows.

A paper from the Federal Reserve Bank of Philadelphia found that older homeowners, particularly those 70 and up, earn lower prices when they sell than their younger counterparts. The gap increases with age; an average 80-year-old seller would likely get paid 5 percent less than a 45-year-old, all other factors being equal.

In the most extreme scenario, a home that fetches a significantly lower price can limit people's future living options, if they wish to downsize a large house or need nursing care, according to real estate professionals and financial advisers. "The real question is, where are they transitioning to?" said Dan Sudit, wealth adviser and partner at Crewe Advisors in Salt Lake City.

A lower sale price could mean the difference between buying into a retirement community versus renting, or a smaller apartment. "It might not be a two-bedroom or a one-bedroom, but might wind up being a studio-type unit," Mr. Sudit said.

The harvest gold fridge dilemma



Hannah Agosta

One reason behind the age-price gap identified by researchers is that, compared with younger homeowners, older homeowners don't invest as much in their properties. This can take the form of less renovation, more deferred maintenance

and higher rates of disrepair. About 25 percent of the difference in sale prices is attributable to this discrepancy.

“Unless something’s broken, they don’t fix it,” said Amy Bubes, a real estate agent in Atlanta. She said homeowners, especially those who have been in the same house for decades, have a tendency to look past flaws like peeling paint and water damage that would jump out to a prospective buyer. “If it’s not bothering them, they don’t really see it,” she said.

“Deferred maintenance is a real issue,” said Beverly Grace, owner of Grace Realty and Property Management in Seminole, Fla., an area popular with retirees. There also can be an aesthetic mismatch if the most recent kitchen or bathroom renovation was decades ago, she added.

“You’ve got the avocado bathtub and yes, the fridge works fine, but it’s harvest gold,” she said. “It all looks really wonderful to them, but they didn’t change anything to go with the times.”

Beverly Evans was puzzled that her condominium in Plymouth, Mass., spent nearly six months on the market, even after she reduced the asking price. “I don’t understand,” she said. “There’s nothing rundown about that house.”

Ms. Evans, 87, said she needed her home equity to pay both the rent in her assisted living community as well as the rising cost of living. “I didn’t realize inflation was going to go that badly,” she said. “I need money to live.”

The local housing market had slowed recently, according to Ms. Evans’s daughter, Linda Evans. “Six months ago, this would have sold in two weeks,” she said, although she acknowledged that her mother’s style might not be to everyone’s taste. “She doesn’t want to talk about trends,” she said.

Although she is a real estate agent herself, the younger Ms. Evans, 59, asked a colleague to assist in the sales process.

Candis Parry, her colleague who helped with the sale, said: “This is the most pressure I’ve ever felt to sell a house. She needs every last dime.”

Ms. Parry empathized with the elder Ms. Evans's financial concerns, but also tried to suggest that spending money to enhance the home would pay off. "We'll get more money if we paint it and stage it," she said.

When frugality backfires

Running out of money is a common fear among retired homeowners, according to financial professionals. Gary Prager, chief operating officer of Space Coast Credit Union in Melbourne, Fla., said even older homeowners with plenty of equity tend to delay repairs and renovations to save money. "We understand that many older borrowers hold a core generational belief that accumulating debt equates to financial failure," he said.

But as the housing market cools, he noted that this frugal impulse can backfire. "Delaying those repairs could potentially have a negative impact on the resale value," he said.

This is because today's buyers are leery about homes that require renovation, given sharp inflation in both building materials and labor over the past few years, said Dillar Schwartz, a real estate agent in Austin, Texas. "The cost of getting into homeownership scares them," she said. "Buyers don't have the cash reserves to put into a house like they used to."

Experts say older sellers and retirees sometimes settle for a lower price because they don't have the stamina or financial resources to oversee a big renovation, or might be reluctant to spend part of their savings on what they perceive as unnecessary changes.

"You get a dynamic where the older homeowner might not be aware of what changes might be value enhancing; they might be cash constrained, realistically or psychologically," said Ryan Frederick, chief executive of Here, a consulting company that advises people who want to age in place.

Tempted by cash

A bigger issue identified by researchers is that older homeowners are more likely to sell to investors paying cash, or via “pocket” listings, which bypass real estate multiple listing services. While these methods may yield quicker, more straightforward sales, less competition can mean a lower selling price.

That lower selling price is an unintended consequence of many older homeowners’ unwillingness to consider the potential for impairment, death or other adverse events, said Thomas West, a managing senior partner at Signature Estate and Investment Advisors in McLean, Va.

“Their default plan is to stay at home no matter what, but they don’t make any proactive plans,” he said. If a fall or similar event drastically reduces mobility, for instance, “home is no longer a safe place for them,” he said, while if a couple is dependent on both spouses’ Social Security benefits, death can trigger a financial reckoning. “All of a sudden, you’re a disadvantaged seller,” he said.

Experts also identify a knowledge gap. Homeowners who last purchased property 30 or 40 years ago might not be familiar with the current market, what comparable properties are worth and how much equity they could be leaving on the table.

“The numbers have jumped so much that in many instances, they may be somewhat out of touch with what comps are relative to their community,” Mr. Sudit said.

He recalled dissuading one client’s parents from using a friend unfamiliar with the area to sell their waterfront home in Washington State. That person proposed listing the home for \$5.5 million; it ultimately sold for \$7.7 million.

Conversely, the leveling-off of pandemic-era home value appreciation — or outright reversal in some markets — has left some longtime homeowners with whiplash.

“They’re still looking for the bidding wars,” Ms. Grace said. “Then they sit on it and wonder why it’s not selling. And the longer they sit on it, the worse it is for them,” she said.

Some older homeowners facing rising property taxes and insurance rates have concluded that gambling on prices to return to their peak isn't worth the risk.

In 2024, Bob Bozek and his husband, Dan Driscoll, sold their condominium near Fort Lauderdale after several factors created a sense of urgency, including an arduous surgical recovery for Mr. Driscoll and homeowners association dues that had more than doubled since the couple bought in 2012.

"Aging is becoming more in our face," said Mr. Driscoll, 81.

Mr. Bozek, 73, also said the area didn't hold the same appeal that it once had. "I love the warm weather, but global warming was causing all kinds of problems," he said, from spiraling home insurance costs to oppressive heat and disruptive storms. "All the expenses in Florida were getting unlivable," he added.

Political acrimony was the final straw. "We had a pride center in the community, and they were holding workshops on how to report harassment and practice self-defense," Mr. Bozek said. "You did not feel safe going to certain places."

Although the local housing market had softened from its peak two years earlier, the couple decided cutting their losses was safer than waiting and hoping for a rebound. They ultimately sold to an investor after even a \$30,000 price cut didn't attract offers.

"Even though what we settled for was lower than what we'd hoped for, it was cash in hand," Mr. Driscoll said. "We were so grateful."

Although their current home in Maryland is considerably smaller than the one they left, the couple said the financial trade-off is worth the peace of mind. "We were lucky to have done it when we did," Mr. Bozek said. "We still have friends down there and my goodness — the condo market fell completely."

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