



SMART INSIGHTS FROM FINANCIAL PROFESSIONALS

Moving to Another State in Retirement? What You Need to Know



The idea of retiring, packing up and starting fresh in a sunny spot or at the foot of some cool mountains may sound intriguing, but have you really thought it out? Some financial, practical and emotional issues to take into consideration first.

by: Peter Blatt, Investment Adviser Representative, J.D.
September 9, 2021

A pleasant retirement can mean staying put right where you are, chatting with the same neighbors, cheering the same local sports teams, and shopping at the same stores.

But plenty of Americans also get wanderlust when they reach their retirement years, trading freezing winters for subtropical environments, swapping prairies for mountains, or substituting city living for the country. In 2020, 400,000 retirees made a move, which was the highest number in five years, **according to a study** by the moving service company HireAHelper. Most of those retirees made their move within the confines of the state where they already lived, but 38% moved to another state.

If you guessed that traditional retirement mecca Florida was the No. 1 destination for those nomadic retirees in 2020 — you guessed wrong. Virginia topped the list, although Florida did come in a respectable second. Wyoming, Pennsylvania, and Idaho rounded out the top five.

Numerous factors can play into your decision to move to a new locale in retirement, from family considerations to weather to preferences about beaches, mountains, or culture. Finances are key as well. **Let's look at just some of the things you should keep in mind:**

TAXES: IS YOUR NEW STATE A FRIEND OR FOE?

Even in retirement, you can expect to pay taxes. Some states are friendlier on this count than others, so it pays to know the situation before you load up the moving van.

Florida, for example, doesn't have a **state income tax**. Neither does Alaska, Nevada, New Hampshire, South Dakota, Tennessee, Texas, Washington, or Wyoming. All other states do.

So, if you move in retirement from New York to Florida, you rid yourself of a state income tax, but if you move from New Hampshire to North Carolina, you gain a tax.

Another consideration is that **33 states have neither an estate tax or an inheritance tax** (on the other hand, several **states are much less tax friendly**).

Let's revisit our previous example states. New York has an estate tax, but Florida has neither an estate nor an inheritance tax, so once again, a retiree could ditch a tax with a Florida move. New Hampshire and North Carolina have neither of these taxes, so that's a wash.

HOMEOWNERS INSURANCE: A BIGGER FACTOR THAN YOU MIGHT THINK

Homeowners insurance is a stealth cost that could catch you off guard, depending on which state you are saying farewell to and which state is your destination. The average cost of **annual premiums** fluctuates wildly, from \$376 in Hawaii to \$1,353 in Florida to \$3,519 in Oklahoma. The potential for local natural disasters (such as hurricanes, tornadoes, and earthquakes) plays a role in those premiums.

It's worthwhile to research how much more — or less — you could pay for homeowners insurance depending on the direction of your move.

HOUSE SIZE: BIGGER ISN'T BETTER

When shopping for your new retirement dream home, remember this: Sometimes retirees move into a larger and more expensive house than necessary. Do you need three bedrooms and two bathrooms for two people,



even if you expect visits from your children and grandchildren? They can always stay in a nearby hotel. Even if you spring for the hotel bill for their short stay, that likely would be cheaper than the extra money you would pay for a larger house.

Also, don't forget that the larger the house, the higher the property tax, the higher the insurance bill and the costlier the upkeep.

COMMUNITY PERSONALITY AND LOCATION: TRY IT ON FOR SIZE

Before you buy a house in your new location, give the area a trial run by renting first or at least by paying it an extended visit. A place that seems like nirvana may, in reality, be less than what you desire — so you don't want to invest in a property before you're certain. I had clients who longed to move from Florida to the mountains of North Carolina in retirement, so for three weeks, they rented a house that was at an elevation of 3,500 feet. It was beautiful, but for them, the downsides became apparent quickly. The drive from the house to the main road took 20 minutes. Then it was another 20 minutes to the nearest supermarket. So, running out for groceries required an 80-minute round trip. They gave up the idea of living on the mountain and found a place closer to town.

You also want to consider what kind of community is important to you. If you desire an active community, then a neighborhood where everyone sits in rocking chairs on the front porch may not be for you. Also, some places (Florida, for example) have strong homeowners associations and subdivisions with deed restrictions, so if you come from a state where you're not used to such restrictions, it may require an adjustment.

FAMILY CONSIDERATIONS: FURTHER APART OR CLOSER TOGETHER?

Don't overlook the emotional impact of leaving your family and friends behind, and perhaps the expense of staying connected. Will you feel the need to travel back

often? If so, are there direct flights from a nearby airport?

Sure, we interact these days through Zoom and similar platforms, and that's a convenient way to see each other, speak with each other and share what's happening in our lives. But still, is it the best way to feel connected?

On the other hand, some retirees move out of state to be closer to their children and grandchildren. While that can be great for some families, it could be a bumpy road for others. Maybe you leave your friends behind only to discover the family you've moved to be nearby are so busy with careers and school that you see much less of them than you'd hoped. Or maybe you see more of them than you'd like! It happens.

The good news is that many people create an enjoyable retirement for themselves by staying put in their home communities, and others create wonderful retirements by venturing out to new places.

You just need to figure out which of these is financially and emotionally best for you.

Ronnie Blair contributed to this article.