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Retiring to a Different State? Better Think Twice

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Most soon-to-be retirees dream of spending their golden years in a perpetually warm climate, close to family and friends and access to a plethora of recreational opportunities. However, there is one major factor that is often overlooked: the economic implications of moving.

States like Florida and California are hot-spots for the newly retired, but it's vital to thoroughly evaluate whether or not a move is financially viable. Often, people set re-location plans in motion early, but few actually factor in specific elements that can make or break a successful, financially-healthy retirement.

Instead of solely reviewing a location's climate conditions or social opportunities, pre-retirees should also take into account taxes, moving expenses and housing costs to decide if a relocation plan is feasible. To start, it's essential to begin planning 12 to 18 months prior to your retirement date and narrow potential locations to three cities. Be sure to talk to others who live in the area about the pros and cons, and call the city's Chamber of Commerce to receive literature packages that can provide details on certain aspects of an area.

Calculating whether you can afford to move starts with your investment philosophy. Work with a financial advisor to determine your anticipated expenses while in retirement—remember to include travel plans, new hobby expenses (golf lessons, gardening, etc.) or purchasing new property to provide an accurate fiscal "number" required to retire comfortably. Consider the use of an online retirement calculator to outline debt, insurance, estate and investing factors. Having a solid idea of what you can afford will help narrow down locations and eliminate places out of your price range.

To ensure that you have saved enough as possible before the move, you should be as investment conservative as possible in the last two years of your working life. You will not want to delay retirement because you chose a riskier portfolio just to try and make an extra 1 or 2%. The risk is typically not worth it, so sticking to long-term plans with a strict investment philosophy tend to be more beneficial.

After you determine if you can afford to move to a different state with financial ease and how you will actually begin financing the process, here are other key elements often overlooked by pre-retirees:

Determine state and local taxes. While federal taxes will generally be similar no matter where you live in the U.S., state and local taxes will fluctuate. States' estate tax (some states have their own state death tax in addition to the federal) vary, but most apply a 35 cent tax on every dollar over $ 1 million.

Review property and sales tax. While the housing market continues to see signs of recovery, property tax is a large concern with great fluctuations between states, impacting the size and location of where you buy a future property. In addition, retirees should be aware of state sales tax, as that will impact their wallet daily. For example, *Texas has astronomically high property taxes as well as states like New Jersey and New York. Florida, on the other hand, has lower property taxes, but higher sales tax.*

Compare the cost of living. While there will be a vast difference between living in say, Beverly Hills compared to Boulder, Colo., retirees should determine their ideal standard of living and what they can afford, because the average cost of living varies city by city across the US.

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Be prepared to alter estate plans. When moving to a different state, be mindful of changing specific elements on estate-related documents. Wills and Power of Attorney documents are state specific and will have to be redone. In addition, while a trust is not state specific, it often mentions state statues, which will need updating once there is a change in residency.

Consider renting before purchasing in new location. If you are uncertain about the cost implications of moving to a new state, give the place where you want to retire a "test run." Rent an apartment, condo or house for three to six months before purchasing a property in the area. This will help you to find what neighborhoods are ideal and if the move, overall, is worth the time and investment in your retirement.

Retiring is a big step in itself, let alone the idea of trying to figure out where to live during that phase of life. Making solid, financial decisions, however, will only smooth the transition and allow you (and your spouse) a happy, financially-sound future in a fun and exciting new place.

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