

Corbett Road

In The Media

8 Financial Factors to Consider When Choosing a Retirement Location

Think through the impact a new place will have on your budget before relocating in retirement.

— By Rachel Hartman | August 29, 2018



Consider everything from paying taxes to funding new hobbies before you relocate. (Martin Barraud/Getty Images)

If you're thinking about moving to a new area to kick-start your retirement, it's wise to consider the costs involved. Retirement places like perennially popular Florida aren't always best for your pocketbook.

In addition to the overall cost of living, there are many other financial details that can affect your spending habits in a new place. "It is important to first determine your retirement goals and objectives," says Peter Basciano, associate professor of finance at Augusta University. Then you can evaluate how your lifestyle in a new place will impact your budget. Here are some of the main financial criteria to evaluate before relocating for retirement.

Taxes in the next place. If you move to a new state, [check on state taxes](#). "These can take a big bite out of your budget or offer relief," says Rosemary Frank, owner of Rosemary Frank Financial in Brentwood, Tennessee. States with no state income tax include Alaska, Florida, Nevada, South Dakota, Texas, Washington and Wyoming. "Local real estate and sales taxes should be equally considered," Frank says. If you receive a pension, check if there are tax exemptions or credits available for pensions in the new state.

Travel expenses related to the new area. You might spend much more – or less – on trips at your next location. “If you are planning to do significant travel, consider the ease and cost of getting to and from your new home,” Frank says. For instance, if you move to a major city with a busy airport, flights may be more frequent and tickets less expensive. Relocating to a rural area that is far from an airport could increase what you’ll spend on gas to get to the airport. You also might have to pay steeper prices on plane tickets.

Your proximity to family and friends will also play a role. If you currently live close to your grandchildren and move to a place that is in a different state, you might spend more on travel to visit them. Moving closer to good friends will reduce travel-related expenses to get together on a regular basis.

Potential opportunities for employment. While you likely won’t work at a full-time, fast-paced rate in retirement, it’s not unusual to consider picking up a part-time gig or seasonal work. For those thinking about working to stay social or bring in extra income, “the fit between their skills and experiences and the local employment market becomes an important factor to consider,” Basciano says. If you spent your career working in the tourist industry, for instance, you might find positions to serve as a guide in a place that attracts visitors.

Weather in the next place. It may not seem like a financial factor, but the temperature in the new region could impact your budget. If you want to reduce your overall living expenses, look at energy prices in the new area. “Avoid areas with extreme temperatures to conserve on utility costs,” Frank says. Also, make sure you enjoy the climate in the next location before making a final decision. If you aren’t comfortable outdoors, you could end up traveling more often to escape the heat or cold.

Housing costs. Think about what you will spend to buy a new home or rent an apartment, as well as ongoing home-related costs. “Do not assume that the running costs of the home will be similar to what you are used to if you are moving states,” says Jennifer Beeston, vice president of mortgage lending at Guaranteed Rate Mortgage. Check rates for homeowners insurance and also flood insurance, if it is a requirement in the next destination. Ask a Realtor or friends in the area about maintenance expenses, such as yard work, painting and plumbing repairs.

“If you are moving to a state you have not lived in before, I would suggest renting for a few months before you make your big purchase,” Beeston says. This will reduce the risk of committing to a place you don’t love or find too expensive.

Health care expenses. The cost of home care, assisted living and nursing home services can vary greatly. Use a tool, such as the Genworth cost of care calculator, to compare locations and long-term costs. Also think about treatment you might need for specific conditions. “If you are in a fairly densely populated city, the availability of specialized health care is most likely sufficient,” says Matthew Gaffey, senior wealth manager at Corbett Road Wealth

Management in McLean, Virginia. If you move to a rural area, you might have to travel regularly to a medical center that offers the type of care you need.

The price of everyday living. What you spend on food and entertainment can play a big role in your overall expenses. "An important factor to consider is the cost of living given your particular lifestyle goals," Basciano says. For instance, if you enjoy eating out, popular retirement cities might offer more specials and discounts to seniors. Also check on music and cultural activities. Some places will offer regular free concerts, while others might have seasonal fairs and festivals that are free to enter.

Your unique interests. Since pursuing passions and hobbies will help you maintain happiness during retirement, it's important to be able to afford your desired activities. "Retirees should keep in mind that they are a case study of one," says Benjamin Flood, vice president of Bigelow Investment Advisors in Portland, Maine. "If they see themselves on a boat and at sporting events, then it's important to explore boat slip and storage prices along with ticket prices to their local teams." If you prefer golf or skiing, you'll want to check membership costs and gear-related expenses in the new spot.
