

Don't Relocate in Retirement Without Answering These 5 Questions

Otherwise, a move could cost you your financial security!

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One of the great things about being retired is that you no longer have a job tethering you to a particular location. You have the freedom to move. But just because you can pick up and go doesn't mean it's a good idea to go just anywhere. Some places are much better locales for retirees than others, and if you settle in the wrong place it could hurt your financial situation in retirement.

Before you relocate during your retirement, there are a few key questions you should get answers to so your move won't put your finances -- or your life -- at risk. Here are five you should be sure to answer.

IMAGE SOURCE: GETTY IMAGES.

1. What are the state's tax rules?

Most retirees get their income from Social Security, pensions, and retirement savings -- and states have wildly different taxation rules. While [37 states don't tax Social Security benefits](#), 13 states do, for at least some retirees. And there are even fewer states that impose no taxes on pension income or distributions from retirement accounts.

Before you pick your new home, it's important to learn local rules for [how your retirement income will be taxed](#). If you previously lived in a [tax-friendly state for retirees](#) -- or in one of the few states without [income tax at all](#) -- it can be quite a shock if you move somewhere that requires you to send in a big tax check. You probably don't want to take this big hit to your income if you can avoid it. Or, at the very least, you'll want to plan for a higher tax bill and make room in your budget.

On the other hand, if you're living in a high tax state and your retirement fund isn't stretching far enough, a move to a locale with lower taxes could be just the thing to free up more spare cash and have a more comfortable life.

2. Does the state have an estate or inheritance tax?

When you've worked hard your whole life to build a nest egg, you probably want to pass on as much as possible to your loved ones, without your state getting a share. Make sure you don't move to a state with an estate tax or inheritance tax for your heirs.

In most states that charge estate tax, it doesn't kick in until you're transferring a pretty big amount -- around \$1 million or more. So this is primarily a concern for people with fairly substantial assets. However, inheritance tax can affect heirs at much lower limits, with those who inherit sometimes owing money on even very small transfers.

If you don't want your loved ones losing part of their inheritance to your local government, find out [estate and inheritance tax rules](#) before picking a spot to relocate to.

3. How does the cost of living compare?

The cost of living can vary dramatically throughout the U.S. When workers move to a more expensive city, they usually have the option to get a higher-paying job to help them afford added costs. But for retirees on a fixed income, their money would just have to stretch further to accommodate higher costs of living if they pick a more expensive locale.

The last thing you want is to move somewhere that costs so much you end up spending your retirement assets more quickly than planned. On the other hand, if you're currently living in a high-cost area, relocating [somewhere where your expenses are lower](#) could help your money last much longer -- and perhaps even salvage your retirement if you've saved too little.

4. Is it walkable?

Having a car is really expensive. If you can relocate to a walkable area, you may be able to go from being a two-car household to a one-car home. Or you may be able to get rid of your vehicle entirely and rely on rideshares and rentals for occasional transportation and travel.

If you can avoid car loan payments, gas costs, insurance, and maintenance, you could cut your annual expenses by thousands, giving you more money to enjoy retirement or to keep in your investment accounts.

Another bonus of choosing a walkable area is that you may be able to maintain your independence longer. For many seniors, there comes a point where driving becomes too dangerous. If you have to give up your car but could still walk to the store, it may be possible to stay in your home when otherwise moving to assisted living might be your only option.

5. What is healthcare like?

Most retirees eventually develop health problems. Whether its a chronic condition requiring medical management or an acute health issue such as a stroke, you want to ensure high-quality care is available nearby. So before you move, check to see what hospitals and doctors are found in areas you're considering -- including which providers accept Medicare.

You may also want to consider the costs of a nursing home or home care, because there's a 70% chance a person 65 or older today will eventually require long-term care of some type. Long-term care is not covered by Medicare and it can cost upward of \$100,000 annually in some parts of the country, so compare prices anywhere you're considering moving to in case you ever need this assistance.