Top Retirement Questions Answered

In our ongoing series seeking to answer the most common—and important—retirement questions, this month we explore the topic: *"Where should I live when I retire?"* For those with retirement on the horizon, many wonder where physically and fiscally it makes the most sense to live when they are no longer working, while also factoring in their lifestyle desires, health and proximity to family and/or friends.

"Where should I live when I retire?"

Here are some of the factors that could dictate where retirees end up living in order to maximize both their happiness, as well as savings:

Downsize. Many adults plan to downsize once retired to save on costly mortgage or rental fees. Some prefer to live in a smaller home in a more affordable community; others may simply want to avoid the physical and monetary costs of maintaining a larger property. Downsizing is a great option if retirees feel their housing costs may take a good chunk out of their retirement savings and they would rather spend that money elsewhere, like on traveling. However, staying in a current home could be a great option if the mortgage is paid and there is a supportive family and/or a community of friends that provides a social life. Retirees should also make plans for services needed, such as lawn care, housekeeping and possibly mobility options to help them get up and down stairs in their later years.

Change locale. This option really depends on how individuals feel they will be most happy in retirement. Some retirees choose to move away to enjoy a different lifestyle—maybe in an exotic location they've always dreamed of living (e.g., a foreign country) or from one coast to another to be closer to family or friends. Those who can afford it may prefer to own a home in their dream destination (to escape the cooler months at home) and a second one near family or friends to enjoy the best of both worlds. You could also consider a 55 and over community, which offers a quiet neighborhood with fellow retirees, social activities and no children (unless they are visiting grandma and grandpa). Eventually, a senior care community may need to be a consideration if retirees have health issues and can no longer live at home. These communities offer a range of services, from chef-prepared dining to assistance at any time.

Tax considerations. Another decision where to live in retirement could be motivated by taxes—there are benefits to living in other states where there are no personal income taxes, such as in Alaska, Florida, Nevada, Texas, South Dakota, Washington and Wyoming. Additionally, some states allow individuals to be exempt from levies on Social Security and pension income: Florida, Nevada, South Dakota and Tennessee, to name a few.[1] For a list of other tax-friendly states, click here.

Health changes. Housing choices could likely change for retirees over the years as they transition into retirement, often based on their health. Knowing that health issues could appear suddenly, retirees will want to be prepared. If a health condition affects an individual or their spouse's ability to live alone, other living options may be necessary. In most states, assisted living facilities are not covered by Medicare and only skilled nursing facilities are. Independent senior living communities are fairly affordable, but the average cost for assisted living is about $3,500 per month.[2] As an alternative, consider moving in with family to receive the important care needed.

There are numerous choices, but budget and health truly determine a retiree's future living situation. Retirees who love their home, and it works adequately for them now and as they age, should stay unless it becomes a financial burden. Then again, downsizing may be a more attractive option to enjoy an affordable home living amongst retirees in a 55+ community or an independent senior living community. For those with health issues, an assisted living facility may be necessary to receive needed care.

Stay tuned! The answer to this question will be addressed next month –
"How do I traverse the Medicare maze?"

SAVING FOR RETIREMENT WHEN SINGLE

Across the board, everyone from singles to married individuals face challenges when it comes to saving for retirement—from financing their nest egg to planning for long-term and other medical care costs. Single adults tend to be less prepared for retirement than their married counterparts, studies show. In fact, only 43 percent of single men and 42 percent of single women even have retirement savings accounts at all, according to the Economic Policy Institute.[3]

Single or unmarried individuals face a different set of retirement planning challenges. For instance, they may have a lesser need for life insurance without dependents but a higher need for long-term care coverage. There is also the factor of saving on a single income as compared to married individuals with potentially two income sources.

Planning for retirement when single is not an impossible endeavor. Here are some tips to get the ball rolling on your saving strategy:

- **Save early and often** – Let's be honest—saving takes work, regardless of whether an individual is single or married. However, one of the most beneficial aspects of being financially savvy as a single is that you call the shots when it comes to saving your money, compared to couples that may have differing perspectives on their family finances.

- **Stay healthy –** Individuals without dependents have a lesser need to purchase life insurance; however, they will need to focus on saving for a secure and happy retirement, which might include the purchase of a long-term care plan. The best advice is to start taking care of your mental and physical health to dodge potentially avoidable and expensive healthcare costs, while keeping more of your savings in the bank.

- **Understand Social Security benefits –** If a retiree is unmarried, their Social Security benefits will be paid out based on their personal income record. However, if you are widowed or divorced, you may have the opportunity to accept benefits based on a current or former spouse's lifetime earnings record, which could bring you higher Social Security payments when you hit age 67 (for those born after 1960). Remember, taking benefits before retirement age (as early as 62) may reduce your overall benefits—so hold out on taking your benefits as long as you can to maximize your payments.

Contact the office if you'd like to discuss your personalized retirement savings plan to ensure your nest egg is bountiful for the remainder of your golden years.

1 http://www.aarp.org/money/taxes/info-2014/tax-relief-states.html

2 http://www.bankrate.com/finance/insurance/paying-for-assisted-living-1.aspx

3 http://www.epi.org/publication/retirement-in-america/