

Retirement Readiness Report

Helping older employees get ready to retire successfully

A free report for employers, unions, and pension funds, produced by RetirementWORKS®, Inc.

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Welcome to the twentieth issue of the *Retirement Readiness Report*, offered as a free resource, to help you think about how your organization supports the transition into retirement.

We encourage you to contact us at any time if you have ideas, criticisms, or other comments about this publication, or wish to update your email address (or be added to or removed from the list).

If you missed issues #1 thru #19:

They're available at:

<http://www.retirementworks2.com/support.asp?id=newsletter>

Next month:

Implications of the MetLife Retirement Readiness study.

Relocating after retirement

Whether employees decide to move when they retire is typically treated as an incidental aspect of their retirement readiness, but in fact, it's central, and sometimes determinative. It has ramifications for almost all aspects of their retirement.

The timing of retirement is usually tied to the affordability of retirement, so the *financial* aspects of where people live are a good place to start, when discussing relocating – but there are other important effects, too, and we'll get to those in a moment.

Financially, there are four main issues in relocating. From least to most important, they are:

- The cost of relocating itself, including repairs to a home which may have been neglected a bit, and which needs to be spruced up before it can be sold; commissions and other closing costs when selling a home; moving costs, especially if the move is out of state; and moving-in costs, which can include repairs or upgrades to the new place, as well as new furnishings.
- The difference in state tax structures. Eleven states have no state income tax, though they tend to have other kinds of taxes that make up at least some of the difference. States sometimes also have very different tax treatment for interest income, capital gains, pension income, even IRAs. Some areas favor taxes on real estate, others tax personal property. Depending on what assets and what income sources you have, moving could mean a significant annual change in your taxes.
- Differences in cost of living. The move from an urban or suburban area in a coastal state to a rural area of an inland state could cut living costs more than in half – while moving in the other direction, of course, could more than double costs.

- The cost of the home itself could either tie up or free up a lot of cash, depending on whether someone is buying a more expensive home (that dream home near the water, perhaps) or a less expensive home (that cottage in the country).

Taking all these factors into account (and even this is not a complete list), it becomes evident that relocating can easily have a six-figure impact on one's spendable assets, as well as a large percentage impact on one's annual expenses.

So employees' intentions along these lines could easily mean the difference between being able to retire a year or two early, or having to work a year or two extra.

But as noted before, there's a lot more to it than the money.

Where we live touches every aspect of our lives, and so when an employee is considering moving after retirement, all of these other issues must be considered. For example:

Oftentimes, such moves are planned in order to be nearer to

children, grandchildren, elderly parents, or other relatives, or even close friends. But such moves also disrupt relationships in the old neighborhood, as well as offer opportunities for new ones to form in the new location.

Health is also a consideration.

Older employees with health problems, or with spouses with health problems, may feel that

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they cannot move, because they are so strongly connected with hospitals, clinics, or particular doctors that they trust. Or even if they are well, they may decide that they should not move to a more rural and less expensive setting because medical care is unlikely to be as good, or will be too far away in case of an emergency.

People also like to consider the

healthiness of their environment – along with its opportunities for fun – when considering relocation.

Can they take walks safely, without worrying about crime or heavy traffic? Are there nearby places to swim or play golf or pursue other pleasant forms of exercise? Is there noise and stress to deal with?

Or do they thrive on city life, and crave wide choices in restaurants, shops, civic and cultural events, and diversity in local neighborhoods?

There may also be new opportunities for paid or volunteer work that attract them. Or conversely, they may feel tied down to such activities where they live now. Or they may be deeply committed to their local faith community, or to other groups that they participate in, or even sports teams that they root for.

We are touching just the tops of the trees here, but it should be enough to make clear that where we live is just as important a factor, and just as pervasive in its consequences, as how much money we have.

Any kind of retirement readiness program that is offered to employees, therefore, needs to take this question just as seriously as pension, health insurance, or investment questions.

There are better and worse ways to approach the issue of relocation at retirement, and you are doing your older employees a big favor if you help them deal with it in one of the tried and true ways, instead of just winging it.

Recommended Reading for Employees Getting Ready to Retire

The New Retirement: The Ultimate Guide to the Rest of Your Life, by Jan Cullinane and Cathy Fitzgerald

\$19.95 (Rodale, Inc., 2007, Second Edition)

Notice: We do not sell books, or have any financial stake in recommending them.

Although this book talks about retirement broadly – and does so in an intelligent, insightful, helpful way – we mention it this month because of its special focus on the issue of retiree relocation.

Part II of *The New Retirement* asks the question, in its title, “Where should you spend your retirement years?” – and uses well over 200 pages to provide an answer. When you include the final chapter of Part I (“What and Where Is Home?”), easily over half of the entire book is devoted to these issues.

This is a good thing, of course, for anyone seriously considering relocating in retirement (and rather a waste for those who are not).

That Part I chapter concerns itself with lifestyle concerns (what kind of location would work well for you, and how you determine that), along with other practical but general issues (such as whether owning a second home makes sense for you, and the pros and cons of having a home custom built).

But the bulk of the book, that massive Part II, mostly discusses specific locations the reader might want to consider. Fourteen different U.S. states get about ten pages each of discussion – so not just the obvious ones, but states like Tennessee, Washing-

ton, and Virginia that are not your prototypical Sunbelt refuges.

Cullinane and Fitzgerald also devote a chapter to “niche” retirement living environments, such as active-adult communities, college towns, singles communities, RV life, and many others.

Finally, in this part of the book, they discuss living abroad in retirement, and focus particularly on Costa Rica, Mexico, and Panama.

This kind of “outside the box” thinking can really get the reader’s imagination flowing, and perhaps bring to the surface dreams that have lain dormant for a long time.

At the very least, this book rightly focuses one’s attention on the critical importance of where one will live.

Most of us, in fact, will stay put when we retire. Still, it is important to think about this as a choice, not as a given. If we do make the choice to stay where we are, then that greatly simplifies our retirement planning. But if we merely assume that outcome, then discover after we re-

tire that moving makes more sense, we may have put ourselves in a position where it's too late to make it work, or at least too late to make it work as well as it could have.

This book will help prevent such an outcome.

Featured Website

U.S. News & World Report:

"Find the Best Places to Retire"

<http://www.usnews.com/money/best-places/to-retire/listing/search>

Keeping on the theme of relocating in retirement, this *U.S. News & World Report* site will help you, in an interactive way, identify the towns and cities in the U.S. that might be your best place to retire. (They also have tabs that help you find the best place to live or to work, if that interests you more.)

First, you can identify what's important to you:

- A region, or one or more individual states
- A minimum and/or maximum population size

- A range for median home prices
- Ranges for January and July temperatures, and for average annual rainfall
- Ranges of population percentages that are over age 55 and/or that are college educated.
- Availability of hospitals, home health care, and residential care facilities
- Low crime rate
- Presence of your choice of 20 different cultural and recreational activities.

When you click the "Find the best place for me button," you will get a list of the towns or cities that best fit your criteria.

If you then click on any of these listed municipalities, you will get a screen full of information about the place, including data about at least some of the items you asked for (and some you didn't), along with historical information, local major businesses, mention of major parks or other recreational facilities, and maybe a random "fun fact" or two.

Naturally, this is only a starting point, but it is excellent for that purpose – almost certainly coming up with possibilities that you

would never have thought of on your own.

About RetirementWORKS®, Inc.

We are the consumer subsidiary of Still River Retirement Planning Software, Inc., of Harvard, Mass., which has specialized in retirement plans and retirement planning since 1994.

Our philosophy is that retirement needs to be viewed from the retiree's point of view, in all of its complexity. So we offer the most powerful and useful financial software available anywhere for retirees and near-retirees, and advice concerning non-financial aspects of retirement. But we do not sell any financial products or services other than software, and have no financial stake in any advice that is offered.

We can be reached at:

69 Lancaster County Rd.

Harvard, MA 01451

(978) 456-7971 or

info@RetirementWorks2.com

www.RetirementWorks2.com

Notice: For those of you keeping an eye on our Retirement Readiness website prototype, we are now about 40% done. You can check it out at:

http://www.retirementworks2.com/RetireReady/RW_RetireReady_Orientation_1year.htm.