Snowbirding: Financial Considerations of Owning Two Residences in Retirement

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ABSTRACT

Many prospective retirees hope to own two residences during their retirement. Whether because of weather, family, or adventure, they look forward to breaking up each year by living in two or more locations. They want to be "snowbirds." There are a number of tax and financial considerations that must be addressed to make this retirement arrangement work, from equity financing to establishing legal domicile, and from managing household expenses to multijurisdictional estate planning. This article examines the key financial considerations to address as part of owning multiple residences in retirement.

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Retirement is a time of change for individuals, and often one of these changes is where to live. For some, the dream change is to have two residences: to live in one location during the winter and a different home in the summer. Or perhaps retire to a senior living community for most of the year, but own a second home close to the grandkids. The term snowbirding is often used to describe the phenomenon of owning multiple residences in retirement. This is a handy moniker to use, but for some this retirement planning concept has little to do with the temperature outside and more to do with family, adventure, and a change of pace. No matter what it is called, owning two residences in retirement requires careful planning.

It is estimated that there are 7.5 million second homes, accounting for 5.5 percent of the total housing stock in the country. And while snowbirding is certainly a draw, second homes are not just in Southern states. As of 2018, half of the nation's second homes are in nine states: Florida, California, New York, Texas, Michigan, North Carolina, Arizona, Pennsylvania, and Wisconsin.[1] A study suggests that there is an association between retiree *migration*, i.e., a physical move at retirement, and retirement *satisfaction*. Adding a second residence is for many a way to accomplish retiree migration without necessarily deserting family and friends.[2]

Another consideration is the retirement home that is mobile. Both individuals and couples have purchased recreational vehicles (RVs) at retirement and chosen to live in them for several months out of the year. Many of the issues discussed for two fixed residences apply to the situation with RV ownership. However, other issues such as health care, receiving mail, and insurance have their own special challenges for RV ownership, and will not be discussed in this article.

While many sources provide information about snowbirding, they tend to focus on *where* to reside more than *how* to make it work. And some authors who focus on the financial considerations of snowbirding position this as a tax avoidance tool, ignoring the other financial issues that are involved with owning two residences. This article seeks to discuss a specific subset of the dual-residence scenario. It is focused on the retirement planning considerations involved in owning more than one home. Where to locate is not addressed, other than how it may affect issues such as state income tax, health care, and other practical financial considerations. Further, although retirees may choose to rent out one of their dwellings when it is not in use, the assumption in this article is that they choose to own two residences primarily for pleasure, not as a means of investment.

Rent versus Own

An individual intending to own two residences in retirement likely owns at least one residence currently and is contemplating owning a second residence as part of their retirement plan. The typical snowbirder may have been "test driving" a second location, and now wants to take the plunge to occupy dual dwellings, living in each for several months at a time.

A key question for living in two residences during retirement is whether to sign a lease on one of the retirement homes or, instead, to own both dwellings outright.[3] If the plan is simply to take extended vacations in a second locale, this isn't really a situation of having dual residences. The retiree may benefit from some of the planning ideas that apply to owners of two homes, but from a financial standpoint, a short-term rental or the purchase of a timeshare doesn't involve changing the state of domicile, incurring new financing, or otherwise making major financial changes.

A retiree might, however, consider signing a long-term lease for the second home rather than purchasing it. There are advantages to this approach, such as avoiding maintenance and repairs, not incurring a new mortgage, and having an easier exit plan if the residence doesn't work out. On the other hand, ongoing lease payments represent a burden to retirement income cash flow, and the lease would need to be paid even for the months when the dwelling isn't being occupied. While a snowbirder may consider only renting by the month, this means the dwelling will likely be occupied by others in the off-months. As a short-term renter, the retiree will not be able to decorate the house as desired, and it will not have the desired feeling of "being home." This living arrangement is more of an extended vacation than a situation of owning two residences.

Outright ownership of the second home will often be desirable to renting, assuming it can fit the financial abilities of the retiree. In assessing whether owning a second home fits the retiree's budget, it is important to thoroughly consider all the expenses associated with ownership. Examples include additional homeowners insurance, homeowner association (HOA) fees, security, maintenance while away, transportation between residences, cable and wi-fi, etc. Even with these added expenses, owning versus renting has its advantages. One benefit is the building of equity in the home and the ability to pass down the home as a legacy at death. Owning also makes it easier to establish legal domicile in the state where the retirement home is located. For example, by purchasing the second home in a typical snowbird state such as Florida, Texas, or Arizona, the retiree may be able to change legal domicile and avoid paying state income tax. These tax savings may help offset some of the other costs associated with dual ownership.

Financing Considerations

Retirement planners usually discourage taking on a new mortgage in retirement and, indeed, often counsel preretirees to consider paying off any existing mortgages. It has been argued that in retirement, a mortgage is a "negative bond." For example, paying off a 4 percent amortized mortgage yields a risk-free 4 percent return because the retiree no longer needs to generate a 4 percent return in order to cash-flow the mortgage payments.[4] Paying off a mortgage in retirement can be an attractive strategy for individuals who are no longer generating a wage and who are risk averse. Further, many retirees receive little or no tax advantages from carrying a mortgage. Their taxable income may have decreased because of retirement, and, once they reach age 65, their standard deduction will increase. The likelihood of itemizing their deductions is lessened, making the mortgage deduction moot.

This doesn't imply that a second home should never be financed in retirement. However, the financing might be better coming from a reverse mortgage versus a traditional mortgage. A well-known reverse mortgage expert provides an excellent example in which Mark and Linda, both aged 70, have a mortgage-free home where they raised their children.[5] It is worth $600,000, and they are selling it as part of their retirement plan. In retirement, they want to downsize to a primary home in a Southern state, and also own a condo near their grandchildren. The new primary home they're targeting costs $500,000, and the condo near the grandchildren is available for $300,000. The reverse mortgage for purchase technique would be used to maintain their current cash flow, avoid dipping into retirement capital, and help them acquire their two residences. It should be kept in mind, however, that a reverse mortgage involves significant up-front costs, some of which cannot come out of the loan proceeds.

Here's how it would work (see Figure 1). Mark and Linda would take their $600,000 proceeds from the sale of their current house, and use $300,000 as a down

FIGURE 1
Two Residences, Reverse-Mortgage Example

Source: Don Graves, Housing Wealth Institute, askDonGraves@gmail.com.

payment for their new primary home. They would then make use of a reverse mortgage for the rest of the $200,000 balance. With the remaining $300,000 of sale proceeds, they can purchase the condo near the grandchildren. Exclusive of HOA fees, real estate taxes, maintenance, insurance, etc., they have effectively leveraged their current house equity to finance their two new residences without incurring additional cash flow.

Domicile

An entire industry has evolved around determining one's domicile. Books have been written, law firms have created how-to packages, and there is even software available to demonstrate time-in-state for residency. The primary reason why legal residency is such an important issue for retirees is state income tax. The classic scenario is changing domicile from a high-tax Northern state to an income-tax-free state in the South. This trend has been exacerbated by the $10,000 limit placed on the state and local tax deduction for federal income tax purposes (the so-called SALT deduction created by the 2018 Tax Cuts and Jobs Act).

However, particularly with retirees, the choice of domicile is not as simple as targeting a state that doesn't have an income tax. Many states with otherwise significant taxes provide exemptions for pension income, Social Security payments, and other retirement-related taxes.[6] Other forms of taxes should also be considered, such as sales tax, property tax, and the homestead exemption that may apply to property tax.[7] Retirees who can be flexible about how much time they plan to reside in either of their two residences should take a hard look at which house they plan to call home for legal purposes.

A common misunderstanding is that legal domicile is established by the simple formula of "6 months and 1 day," in other words, retirees stay in the target state for at least a half year. Revenue-hungry states, and even cities, will look hard to find residents who can be taxed, and it may not be enough for the retiree to simply prove they were in the new state for more than 6 months. In establishing a new domicile, the retiree must not only consider the new state, but also the previous state, particularly if the intent is to maintain a second residence in that state. The hypothetical of Mark and Linda above can be considered. If their new primary residence will be Florida, with little effort they can change their driver's licenses and voting registrations, file for the homestead exemption, and register a declaration of domicile in their Florida county. This, however, doesn't guarantee that their previous state, say New York, will agree there has been a change of legal domicile, particularly if Mark and Linda maintain a condo back in New York. The following FAQ from New York State makes this point:

> …while you may have multiple residences, you can only have one domicile. An individual may live in a certain residence for a temporary period of time, which could be an extended period of time, but if it's not the place they ultimately attach themselves to and intend to return to, it's still not their domicile.
>
> Furthermore, your New York domicile does not change until you can demonstrate with clear and convincing evidence that you have abandoned your New York domicile and established a new domicile outside New York State. This means shifting the focus of your life to the new location. It is not enough simply to file a certificate of domicile or register to vote in the new location. All aspects of a person's life are considered in determining whether a person's domicile has changed.[8]

Each state has its own rules, and retirees planning to live in two residences should obtain qualified counsel in both states. Or, they should retain a firm that specializes in this area and can represent both states' issues. There are a series of steps that should be taken to establish a new domicile and, to use New York's term, "abandon" their old domicile. These can be very fact specific. For example, in one case, a court found that a taxpayer had legally domiciled in Texas because that's where he kept one of his dearest possessions—his dog.[9] Additionally, there are digital tools that can be used to prove not only intent, but physical presence in the new state. Rather than using receipts for gas and food as proof of presence, these tracking tools can specifically establish the amount of time spent in the new residence.[10]

Figure 2 lists some common steps that can be taken to establish a change in domicile. There is no one right way to prove a change of domicile. The goal should be to have such overwhelming proof that the former state will not pursue a claim.

Expenses and Financial Management

In planning for two residences in retirement, upfront and ongoing expenses are an important, and often overlooked, consideration. Beyond financing of the two homes, there are a number of costs that compound as a result of dual residency. For example, furniture and household items for two dwellings can significantly squeeze cash flow. In some cases, expenses are exacerbated because of the element of part-time occupancy. Insurance coverage is an example. Homeowners insurance may be more expensive for the home that is not the retiree's permanent residence. The underwriting concern is that the home may be unoccupied for large blocks of time, resulting in undetected and delayed damages. Likewise, automobile coverage may vary in cost, depending on the state where the automobile is registered. There are ways to lessen these costs, such as temporarily suspending auto insurance coverage on vehicles that will go unused for months.

Many services are not candidates for suspension. If, for example, the resident is using smart home technology to monitor an unoccupied dwelling, they may need to continue wi-fi coverage for that property. Likewise, if there are HOA fees for a condominium, those fees are typically monthly, and not subject to suspension during leaves of absence. And, of course, utilities potentially represent a doubling of costs. Heat for a home in Northern climes and air-conditioning in Southern climes must continue at a level

FIGURE 2
Establishing Legal Domicile[a]

Establishing domicile is not a "check the box" exercise. This is particularly true where a retiree is changing legal domicile from one state to another while retaining property in the previously domiciled state. Below are some common steps that an individual can take towards proving a change in domicile.

- Own the home in the new state. If the retiree is going to rent versus own one of the residences, they should do so in the previous domicile state.
- Change car registration, license plates, and driver's license to the new state.
- Change voter registration to the new state.
- Pets: particularly because of a noted court case, pets should be registered in the new state.[11]
- Work part-time or volunteer in the new state.
- Review operations and management of businesses operating outside of the new state of residence to determine if changes are needed. This may include severing ties with businesses owned in the former state.
- Join social groups, churches, and organizations in the new state, including switching gym memberships.
- Replace the last will and testament with one created in the county of the new state.
- Consider owning the residence in the previous state through a living trust or in a limited liability company (LLC).
- If permitted, file a statement of domicile in the county of the new state.
- Change mailing addresses to the new domicile for bills, statements, 1099s, and Form 1040.
- Reside in the new state for at least 6 months each year. Retain gas and food receipts, or use tracking software to establish time-in-state.

[a]Note: states vary significantly concerning legal domicile. Attorneys expert in both states' rules should be consulted.

that avoids damage to the unoccupied premises. Figure 3 presents examples of expenses by category that are commonly associated with owning two dwellings. In addition, the appendix offers a case study of how these considerations might be factored into a retirement plan. Every individual's and couple's circumstances are unique, but this case study demonstrates a way an advisor can model snowbirding as part of the client's prospective retirement strategy.

In addition to budgeting for increased expenses, retirement planning for dual-residence retirees should include the management of finances. A baseline planning principle is that the retiree should leverage digital technology to simplify and maintain expenses, investments, insurance, and related accounts. Realistically, it will be difficult if not impossible to transport paper copies of financial documents between residences without incurring losses or making late payments. Through electronic banking options, the retiree can consistently manage finances regardless of which residence they are occupying.

A challenge for retirees with dual residences is the U.S. mail. In general, the USPS forwards all types of mail for up to 12 months. However, the USPS has a shorter forwarding limit of up to 60 days for magazines and newspapers.[12] For a fee, there is Premium Forwarding Service Residential®, where mail is packed up at the local post office and forwarded weekly by priority mail. Another tool is USPS Informed Delivery, where the owner can track online mail deliveries.[13] Although these services can help, snowbirds may find that it is far easier to manage financial transactions digitally than through the U.S. mail. Examples include the risk of timing in the forwarding of mail during the transition between one residence and the other, the loss of forwarded periodicals, and the increased risk of human error. Additionally, vendors are sometimes notified of an address change by the U.S. mail, and then take it upon themselves to permanently change their recorded mailing address without the retiree's knowledge. In an environment where online bill payments are common, digital financial management is essential to the successful operation of two residences.

Health Care

Owning two residences in retirement raises a number of health care issues. For some, this can directly affect where individuals or couples choose to reside.

The first issue is assuring the availability of adequate health care in both residences. If the retiree has a need for specialized medical care, the retirement planning process should ascertain whether the second home has adequate specialists and facilities. A related issue is coordination of care. If a retiree

FIGURE 3
Expense Considerations with Owning Two Residences, by Category

TRANSPORTATION: Possibility of cars in each state, auto insurance, and transportation between homes

HOUSEHOLD: furniture, clothes, office supplies, dishes, ongoing utility costs, etc.

ELECTRONICS: cable, wi-fi, computers, nonportable medical devices, home office equipment

HOUSING: property taxes, homeowners insurance (including added cost for secondary residence), HOA fees, lawn care, snow removal, security systems, property management (especially if renting a residence while away)

PETS: registration, boarding, and transportation

LEGAL: it may be necessary to have legal counsel for both jurisdictions

HEALTH: may require moving from Medicare Advantage to Original Medicare with Medigap has a medical condition that needs ongoing care, it is crucial to make sure that care providers in both locales are in communication. This can be a challenge. While most consumers have long since moved past the use of fax machines, it is estimated that at least 70 percent of health care providers still exchange medical information by fax.[14] The bottom-line imperative is that the retiree provide sufficient advance notice to assure that care providers at both locations are sharing information and coordinating services. This includes the retiree following up with providers to confirm ongoing communication.

For many dual-residence retirees, the most complex, demanding, and important health care issue is health insurance. And for most seniors, the key health insurance decisions revolve around Medicare. Significant decisions need to be made at the time the retiree first enrolls in Medicare, typically at age 65, and the existence of two residences compounds the complexity of the decision. Assuming the retiree will need to have ready access to health care services in both locations, some Medicare Advantage plans will prove unworkable. In particular, Medicare Advantage programs utilizing PPOs and HMOs that are geographically concentrated pose a concern. Seniors cannot always choose when in the year and in what residence they will need medical care. Out-of-plan expenses in the second residence could quickly cancel out the cost savings otherwise available with a Medicare Advantage program. This could also apply if the retiree is using employer-provided health coverage instead of Medicare, and the coverage is delivered through a PPO in the company's geographic vicinity.

Retirees who are splitting the year between two or more residences may do better to use Original Medicare with a Medigap supplemental plan. This way they can access medical services in both locations without incurring unexpected costs beyond their premiums.

Pharmaceuticals provided through Medicare Part D plans also pose a challenge. Most Part D plans have costs that vary by the pharmacy providing the drugs. When annually shopping these plans, the retiree will need to determine if their plan has a qualifying pharmacy in both locations. Otherwise, they risk unnecessary costs when filling prescriptions away from their primary residence. A possible solution to this challenge is to use mail-order drug plans.

Estate Planning Considerations

Dual-residence retirees should pay careful attention to their estate planning documents. And if they plan to change their legal domicile, their documents will likely need updating. First, a fundamental way to prove a change in domicile for tax purposes is to create a will in the county where that individual plans to declare primary residency. As an example, Sam is an individual who is moving from Iowa to Florida, but maintaining a condo in Iowa. In addition to changing car registration, voter registration, and other indicators of intent to establish a new primary residence, Sam should destroy his Iowa will and create a new will in his Florida county of residence. At Sam's death, the will would be filed for probate in that county, even if his death occurred in a different location. Further, to avoid burdening heirs with the cost and inconvenience of filing ancillary probate in Iowa for the condo (since the secondary residence is real estate), Sam should consider placing the condo in a living trust or an LLC. That way the condo is an asset that is held inside personal property (the LLC member interest) or is held in trust, and thereby avoids probate in Iowa. While real estate is the most obvious generator of ancillary probate, care should be taken to avoid owning other assets that require handling in the secondary state. For example, a safety deposit box held in Iowa may burden Sam's executor with extra out-of-state work and delays.

Other estate planning documents may call for different handling. Examples include financial and medical powers of attorney (POA), and advanced directives. In the example above, Sam has residences in both Iowa and Florida. He might consider executing medical and financial POAs in both states, and physically locating the respective documents in those states. The reason for this approach is that if Sam has a medical emergency in Iowa, his agent under the POA can present an Iowa-based POA to the local hospital, expediting the recognition of the agent as powerholder. If the emergency occurs in Florida, the POA used would be the Florida-based document. This kind of planning calls for handling by a knowledgeable attorney. Each state has different requirements and rules. For example, in Iowa, the state will recognize a financial POA that is springing. Florida, by contrast, does not recognize springing POAs for financial matters. This means the agent under the respective POAs will have very different powers, and this could lead to problems if the retiree gradually experiences diminished capacity.

There are a host of other estate planning issues to consider when two residences are involved. Say that Sam in the example above is married. He and his spouse can jointly hold their primary residence in Florida either by joint tenancy with right of survivorship or as tenancy by the entireties. They will also want to make a timely filing for Florida's homestead exemption. This provides them not only with property tax savings, but also with significant creditor protection. They would not have these same opportunities in Iowa since there is no tenancy by the entireties and Iowa's homestead exemption is not as liberal. Had this couple instead established their new residency in Texas, a different set of issues arise. Texas is a community property state, and this will require carefully determining how they want their common law property titled going forward.

A further consideration is the tax issues caused upon death. States may not only pursue taxing the resident's income while alive, but also seek to tax the estate. Domicile might be challenged by one of the states upon the resident's death.[15] All this leads to a foundational issue for dual resident retirees: obtaining competent professional advice.

Who's the Advisor?

When owning two residences while retired, there will likely be a need for one-time professional advice to create and execute the plan, and then ongoing professional advice throughout retirement. For legal matters, the advice may need to come from attorneys in different jurisdictions. For example, estate planning and real estate matters in the new state of domicile should normally be provided by local counsel in that state. Legal issues dealing with the secondary residence, including creation of a trust or LLC, would call for representation in the state of that residence. Depending on the size and complexity of the retiree's estate, having co-counsel in two separate states may be worth the additional expense. This may be particularly important where one state is a common law jurisdiction and the other is a community property state.

When using other professionals, including tax and financial advisors, there may be more flexibility. Financial advisors, for example, don't necessarily have to be locally based. Their advice and transactions typically are not as state-centric. The financial advisor who is selected will, however, need to have appropriate technology to work efficiently with the retiree in any location. Online meetings and avoidance of the U.S. mail are services that will be crucial. Similar considerations apply to tax preparation, banking, and other financial services. And, even though a remote platform can work efficiently for most financial matters, there may be legal issues that require local expertise, such as POAs, beneficiary designations, and creditor protection.

Planning an Exit

Retirement is often characterized as starting during the go-go years, transitioning to the slow-go years, and ending with the no-go years. Somewhere in this continuum there may be a desire, or need, to forgo living in two residences. Retirees may find themselves someday dealing with frailty, financial insecurity, or the need to be with family. Advisors can initiate the planning process by asking the retiree if something *did* happen, including the death of a spouse, where would the retiree ultimately want to end up? When planning for a dual residence in retirement, discussions about the end of retirement should start at the beginning of the process.

These discussions will need to continue as retirement proceeds, particularly for couples. One spouse may have a health concern, diminished capacity, or die. This impacts the other spouse's decisions about where to live. The snowbird approach may either need to cease or be modified to accommodate the needs of one of the spouses.

Envisioning the future may lead to better financial decisions today. The retiree may use the snowbird opportunity to downsize their current residence, pay off their conventional mortgage, or even get on the waiting list for a continuous care retirement center (CCRC). Often it takes years before an individual can enter a CCRC. Through exit planning, retirees can prepare for an eventual change, yet enjoy having two residences during their go-go years.

Retirement planning involves a number of financial considerations that are event driven, such as attaining age 65 for Medicare purposes or formally retiring from employment. Because retirement isn't just an event but also a life stage, planning must address ongoing financial management issues. These considerations apply to residency issues in retirement as well. Upon retirement, a change in residence may occur, and for some this involves becoming a snowbird— living the dream of owning two places. Through careful planning, the financial issues involved with owning two residences can be successfully managed, and allow the retiree to truly enjoy being a snowbird. ■

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(1) Na Zhao, "Nation's Stock of Second Homes," NAHB, October 16, 2020; accessed at: https://eyeonhousing.org/2020/10/nations-stock-of-second-homes-2/.
(2) Blain M. Pearson and Charlene M. Kalenkoski, "The Association Between Retiree Migration and Retirement Satisfaction," *Journal of Financial Counseling and Planning* 33, no. 1 (2022): 56-65; accessed at: http://doi.org/10.1891/JFCP-20-00064. A further note from this study: "In planning for retirement, individuals should examine what will provide them with the highest level of satisfaction during their retirement and whether their current location can facilitate an enjoyable retirement. Financial planners and counselors should also consider, as a part of their systemic retirement planning process, increasing the attention that is given to the residential location in which their clients will reside during retirement."
(3) Steve Parrish, "5 Key Questions to Ask When Deciding Whether to Rent or Own in Retirement," *TravelAwaits*; accessed at: https://www.travelawaits.com/2810523/what-you-should-consider-if-buying-or-renting-in-retirement/.
(4) Wade Pfau, *Retirement Planning Guidebook* (Retirement Researcher Media, 2022), 271.
(5) Courtesy of Don Graves, certified senior advisor, Housing Wealth Institute.
(6) For example, House File 2317 excludes retirement income from Iowa taxable income for eligible taxpayers for tax years beginning on or after January 1, 2023.
(7) For example, the Florida homestead exemption allows residents to reduce the taxable value of their home by as much as $50,000, and it provides significant creditor protection.
(8) New York State Department of Taxation and Finance, "Frequently Asked Questions about Filing, Requirements, Residency, and Telecommuting for New York State Personal Income Tax: What Is My Domicile?"; accessed at: https://www.tax.ny.gov/pit/file/nonresident-faqs.htm#domicile.
(9) *In re Gregory Blatt*, N.Y. Division of Tax Appeals, No. 826504, February 2, 2017.
(10) Two examples of such software are https://www.taxbird.com/, and https://www.fusiontaxes.com/thought-leadership/blog/residency-management-software-to-track-residency-tax-obligations/.
(11) See endnote 9.
(12) https://www.usps.com/manage/forward.htm.
(13) https://www.usps.com/manage/informed-delivery.htm.
(14) Christopher Brown, "Health Care Clings to Faxes as U.S. Pushes Electronic Records," *Bloomburg Law*, November 4, 2021; accessed at: https://news.bloomberglaw.com/health-law-and-business/health-care-clings-to-faxes-as-u-s-pushes-electronic-records.
(15) For an analysis of the possibility that domicile could be an issue with Ivana Trump's estate, see "Bruce Steiner, Lessons from Ivana Trump's Will," in Steve Leimberg's Estate Planning Newsletter, *LISI Digest Newsletter*, March 17, 2023; accessed at: leimbergservices.com.
(16) Wade Pfau, *Retirement Planning Guidebook* (Retirement Researcher Media, 2022).

APPENDIX
Snowbirding Costs: A Case Study in Retirement Planning

Jan and Dean Beach are both aged 64, and they live in a condominium in Chicago, near their children and grandchildren. Jan is retiring this year, and Dean will continue his job that he performs from home.

They have been saving to be snowbirds, planning to spend approximately 7 months a year in Florida. Having located a condominium in Florida, they want to determine if they have adequate finances to purchase a second home without financing the transaction, and be able to cash flow both residences.

Jan and Dean are working with their financial advisor, and currently have a financial plan that satisfies their retirement goals. In order to become snowbirds, they need to estimate the one-time costs of adding a new residence as well as the additional ongoing costs associated with that residence. With these two amounts determined, their advisor can create a revised retirement income model and help them decide if snowbirding is a feasible retirement strategy.

One-Time New Costs

- Condo: $350,000
- Furnishings: $25,000
- Legal, including new estate planning documents: $2,500
- Miscellaneous, such as filings and registrations to change domicile: $1,000

Ongoing _Additional_ Annual Expenses

- HOA for Florida condo: $6,000
- Cable, wi-fi, etc.: $1,200
- Homeowners insurance: $800
- Utilities: $2,500
- Property taxes: $3,500
- Added maintenance and security while away from other residence: $700
- Transportation costs going back and forth: $2,500

Planning Considerations

In revising Jan and Dean's retirement model, the financial advisor should reduce retirement capital by the amount of one-time costs associated with acquiring the new residence, and reduce the expected retirement income by the added expenses of owning the Florida residence. The advisor might, however, consider two factors that lessen the financial impact on Jan and Dean's retirement capital and income:

1. The Florida condo (and furnishings) potentially remain retirement capital because they are assets that can be sold without depriving the couple of a residence. Accordingly, the plan could consider the $350,000 value of the condo and furnishings as illiquid retirement capital. For retirement capital growth purposes, it may be appropriate to assume a zero growth rate in the value of the condominium, and a depreciating value for the furnishings. The condo and furnishings remain assets; however, since the condo is a residence versus an investment, the retirement model should not assume a dollar-for-dollar trade-off with the amount Jan and Dean saved for retirement capital.
2. Especially while Dean is still working, the change in domicile to Florida will yield a savings in state income tax. This savings might be considered more of an expense buffer than a net reduction in expenses, especially since this tax will likely reduce when Dean retires.

Putting this together:

1. *Retirement capital:* Reduce net worth by $3,500 for fixed expenses associated with the new purchase, and, as described above, retain the condo and furnishings as assets, but separate them from growth assumptions. If using a bucketing approach to retirement income management,[16] these assets should be part of the last bucket, i.e., the long-term bucket that would not be liquidated until as far out as 20 years into retirement.
2. *Retirement income:* Annual expenses should be increased by the $17,200 costs associated with ownership of a second residence. Any net savings in state and local taxes should be added as part of the financial buffer assumption.

Armed with this new financial model, Jan and Dean can decide whether becoming snowbirds is feasible and desirable. In their planning, they should also consider how changed circumstances in health or family circumstances may affect their retirement plan. Snowbirding is an exciting retirement lifestyle for those who are in their earlier years of retirement, but it may become a burden with aging and frailty. Ultimately, they may need to sell one of their residences, or sell both and move into a retirement home. Provisions should be made to review this situation at least annually during retirement.