

Snowbirding - Living in More Than One Location in Retirement

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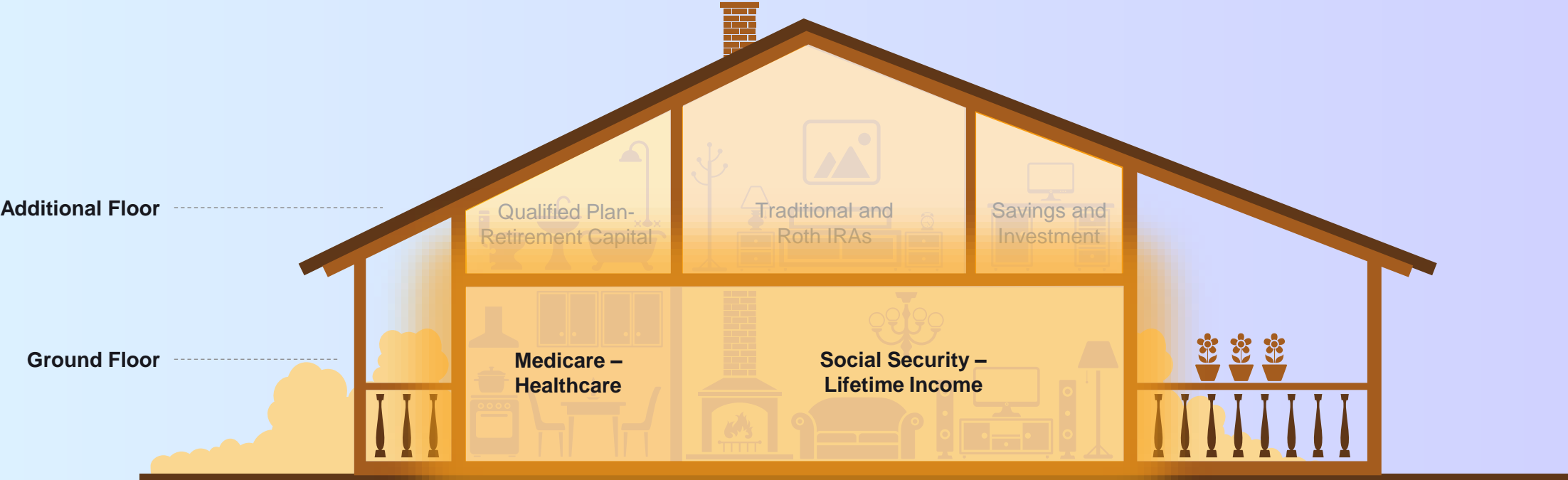
The ideas in this presentation are for consideration and discussion among financial service professionals. The speaker is not engaged in the practice of law, and any concepts presented or discussed should *not* be taken as specific legal or tax advice.

Learning Objectives

1. Learn what drives retirees to want to live in more than one location – to “snowbird”;
2. Gain an understanding of the financial, legal, budgeting and tax issues that can derail a client’s plans;
3. Discover financial solutions that help finance and maintain the ownership of more than residence;
4. Better understand how to work with retired clients who spend their time in more than one location.

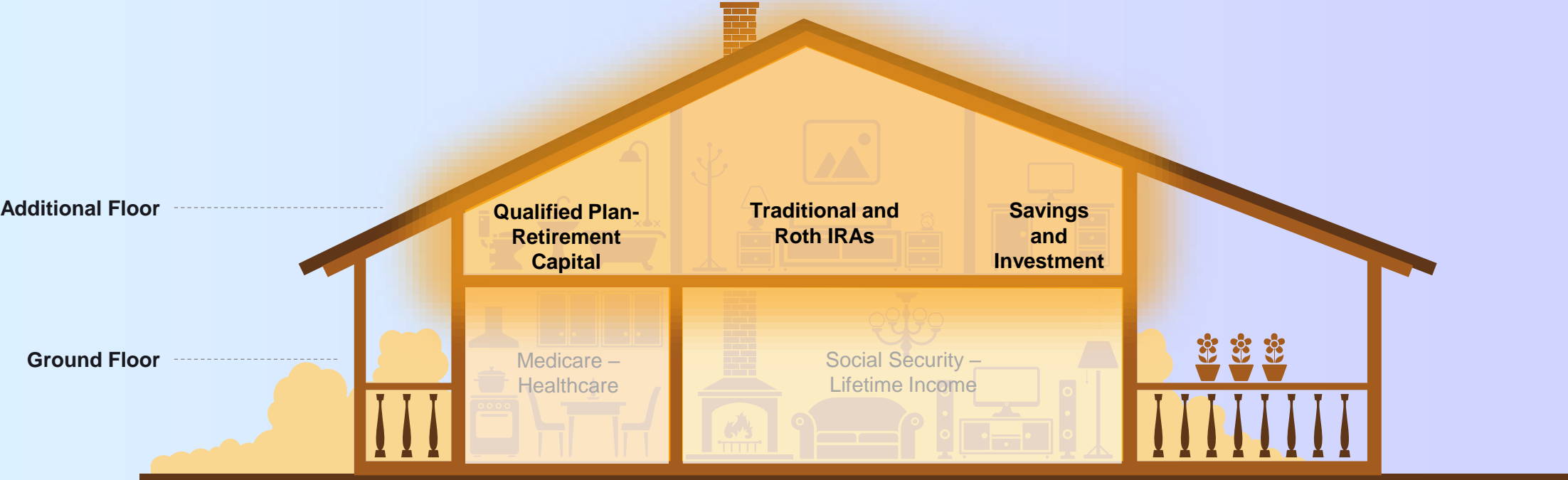
Advisors Building a Retirement Plan: The First Floor

THE RETIREMENT INCOME HOUSE



Advisors Building a Retirement Plan: The Second Floor

THE RETIREMENT INCOME HOUSE



How the clients sees the Retirement House (or houses)



.... Or, perhaps



Snowbirding: Financial Considerations of Owning Two Residences in Retirement

by Steve Parrish, JD, AEP, RICP, ChFC, CLU

Foundation for Financial Service Professionals Announces Journal Author Award Winners

By NAIFA on 4/8/24 3:40 PM

This year's recipients are as follows:

First Place: Steve Parrish, JD, AEP, RICP, ChFC, CLU, for "Snowbirding: Financial Considerations of Owning Two Residences in Retirement," in September 2023

Second Place: Annemarie M. Kelly, JD, LL.M., and Lewis B. Hershey, PhD, MA, "Coordinating an ABLE Account and a Special Needs Trust," in January 2023

Third Place: Douglas B. Richards, JD, MBA, CLU, CFP, "Ethical and Regulatory Environment Surrounding the Sale of Premium-Financed Indexed Universal Life Insurance," in March 2023

The Three up-front Questions

Forbes

- **Location?**
- **Buy or Rent?**
- **Business or Pleasure?**

EDITORS' PICK

Financial Planning For The Snowbird

Steve Parrish Contributor @

I write about retirement income planning – and risk.

Today: “**how**” versus “**where**”

- ✓ Own versus lease
- ✓ Financing
- ✓ Establishing residency
- ✓ Expenses/financial management
- ✓ Healthcare
- ✓ Estate Planning
- ✓ Advisors
- ✓ Planning your Exit

Jan and Dean Beach, both 64. Live in a house in Chicago, near family.

- *Jan* is retiring this year

- *Dean* will continue his job from home.

They have been saving to be snowbirds, planning *seven months* a year in a FL condo; five months in an IL condo. Concerns:

- Do they have adequate finances to sell the house and purchase two condos?

- Can they cash flow both residences without hurting their retirement plan?



Leasing*



Advantages

- No maintenance & repairs
- No mortgage
- Easier exit

Disadvantages

- Legal domicile
- Cash flow and equity
- If part-time, will it be “home”?

* Not included: “test driving” an area, time sharing, short-term rentals

Owning

Advantages

- Taxes: state and homestead
- Equity
- Legacy

Disadvantages

- Financing
- Maintenance and repair costs
- Exiting and ancillary probate



Financing

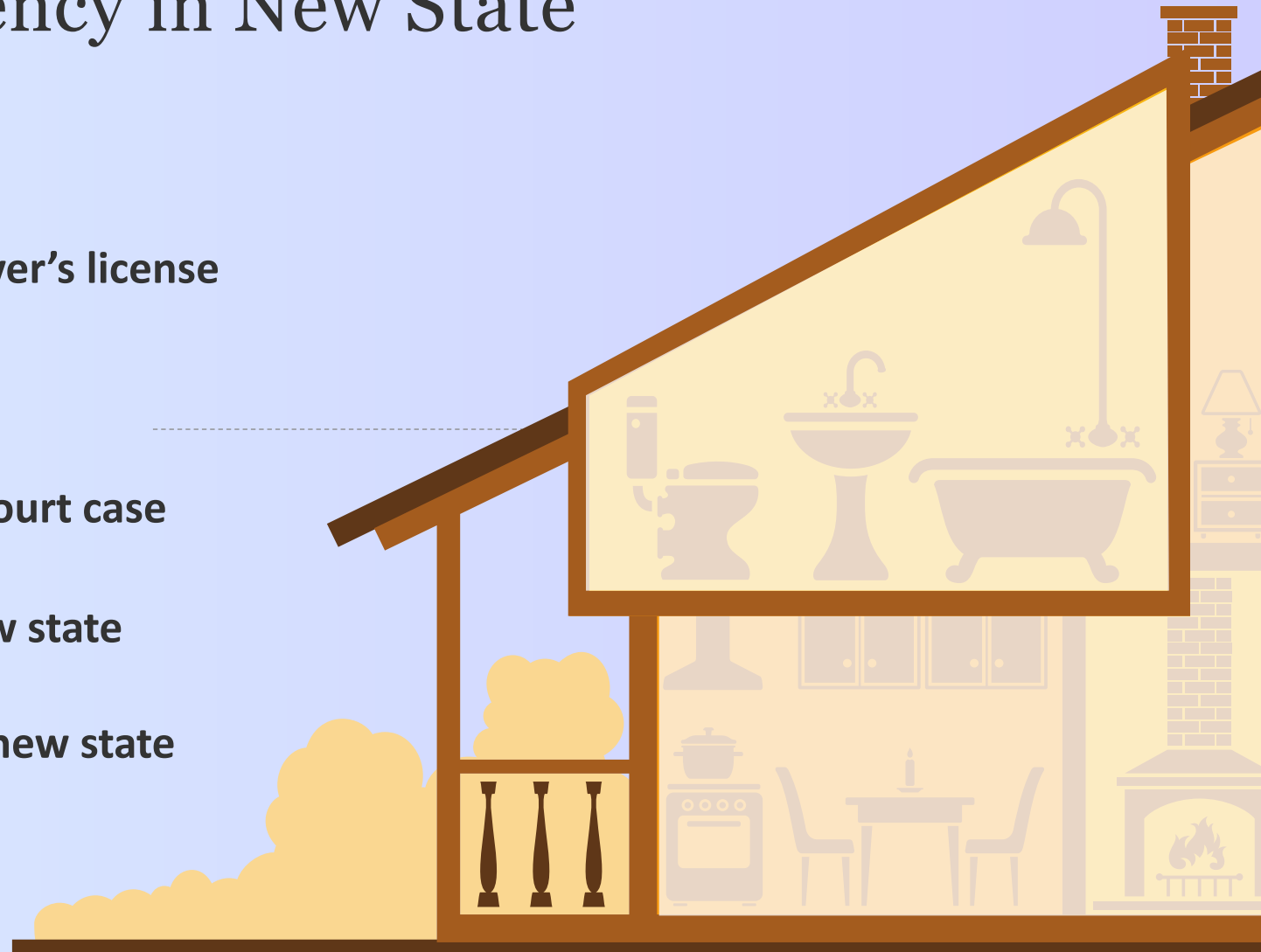
- Imbedded cost of moving *retirement growth assets* to home equity
- The case against using a conventional mortgage
 - Concept of a “negative bond”
 - Lack of tax advantages
- Reverse Mortgage as a possible financing tool
 - Using a “reverse mortgage for purchase” transaction
 - Challenge of up-front costs and maintenance expenses

Using a Reverse Mortgage for financing



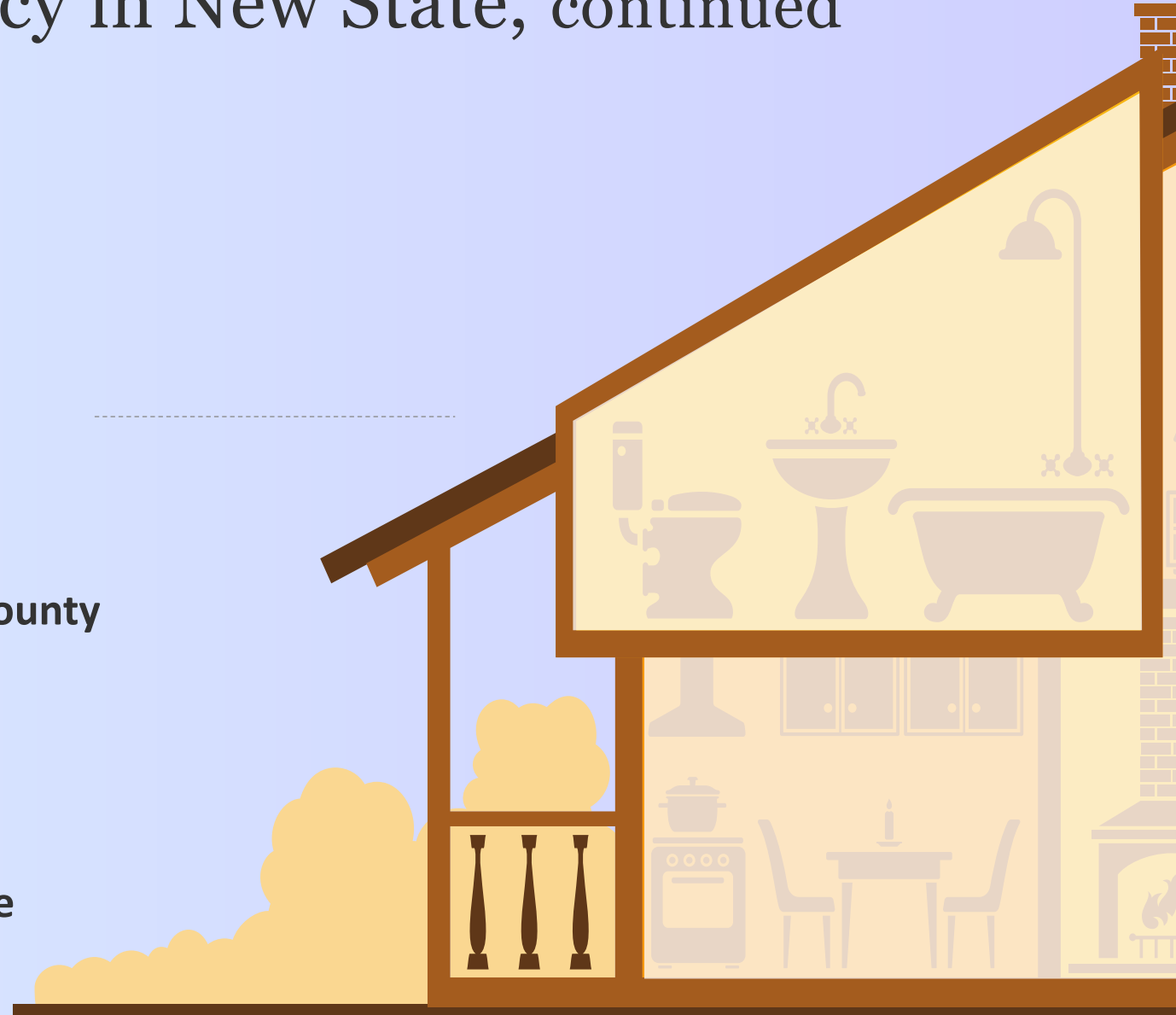
How to establish Residency in New State

- Own your home in the new state.
- Car registration, license plates and driver's license
- Voter registration
- Pets, particularly because of a noted court case
- Work part time or volunteer in the new state
- Review business operating outside of new state



How to establish Residency in New State, continued

- Join social groups, churches, gyms
- Replace last will and testament with one created in the county of new state
- Own the residence in the previous state through a living trust or in an LLC
- File a Statement of Domicile in the new county
- Change addresses for bills, 1099s & 1040
- Reside for *at least six months each year*, retaining receipts or use tracking software



Expenses and Financial Management



TRANSPORTATION

HOUSEHOLD

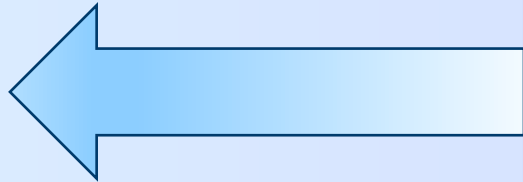
ELECTRONICS

HOUSING

PETS

LEGAL

HEALTH



EXAMPLES: property taxes, homeowner's insurance, H.O.A. fees, lawn care, snow removal, security systems, property management (*especially if renting while away*)

Expenses and Financial Management for Jan & Dean

ONE TIME NEW COSTS

- **Condo:** \$350,000
- **Furnishings:** \$25,000
- **Legal,** inc. new estate planning docs: \$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 & security** while away from other residence: \$700
- **Transportation** costs going back and forth: \$2,500

Putting this together for Jan & Dean ...

1. Retirement capital

- **Reduce net worth by \$3,500** for fixed expenses with the new purchase,
- **Add expenses if financing through reverse mortgage**
- **Retain the condo and furnishings as assets, *separate from growth assumptions.***
- **If using a *bucketing approach* to retirement planning, assets should be part of the last, long-term bucket**

2. Retirement income

- **Increase annual expenses by the \$17,200** for costs of a second residence.
- **Any *net* savings in state and local taxes should be added as part of the financial buffer assumption.**

Healthcare

1. Healthcare availability

2. Healthcare coordination


3. Insurance: Original Medicare versus Medicare Advantage

- Co-pays and deductibles with out-of-coverage care
- Part D pharmacy coordination or mail order



2024 Medicare Premiums (Based on **2022**)

Base monthly
premium:
\$174.70 Part B
\$55.50 Part D



IRMAA for 2024

Single	Married filing jointly	Part B Income-Related Monthly Adjustment Amount	Part D Income-Related Monthly Adjustment Amount
Less than or equal to \$103,000	Less than or equal to \$206,000	\$0.00	\$0.00
Greater than \$103,000 and less than or equal to \$129,000	Greater than \$206,000 and less than or equal to \$258,000	\$69.90	\$12.90
Greater than \$129,000 and less than or equal to \$161,000	Greater than \$258,000 and less than or equal to \$322,000	\$174.70	\$33.30
Greater than \$161,000 and less than or equal to \$193,000	Greater than \$322,000 and less than or equal to \$386,000	\$279.50	\$53.80
Greater than \$193,000 and less than \$500,000	Greater than \$386,000 and less than \$750,000	\$384.30	\$74.20
Greater than or equal to \$500,000	Greater than or equal to \$750,000	\$419.30	\$81.00

Budgeting Health Care Costs

2024 Health Care Costs

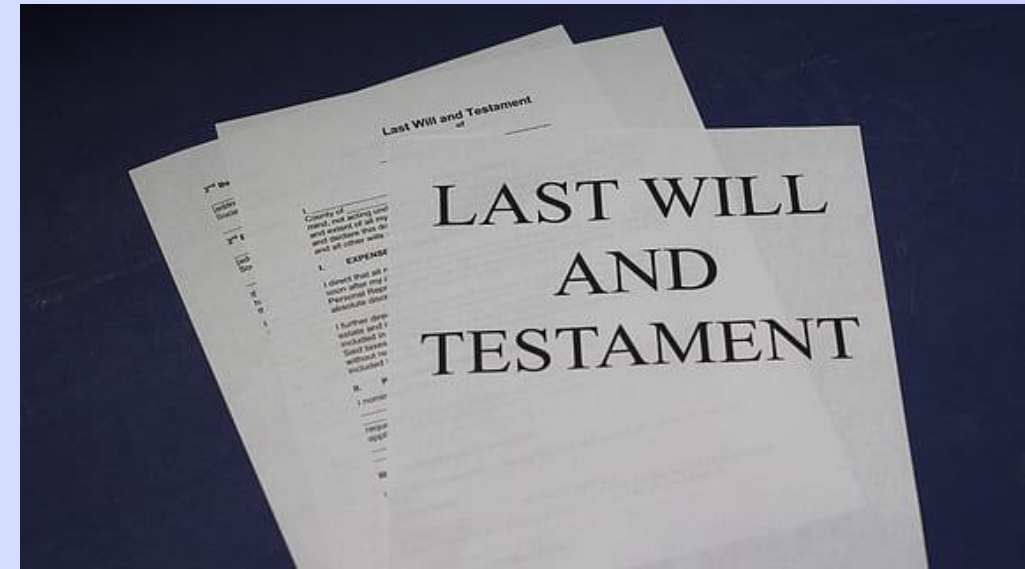
2022 MAGI	Medicare Parts B & D	Medigap Plan G	Avg Out- of-Pocket	Total Per Person	Total For Couple
< than \$206,000	\$ 2,764	\$ 1,620	\$ 3,090	\$ 7,474	\$14,947
\$206,001-\$258,000	\$ 3,757	\$ 1,620	\$ 3,090	\$ 8,467	\$16,934

PLUS,

- Long Term Care premiums
- Care giving, transportation, services, etc.
- Catastrophic events

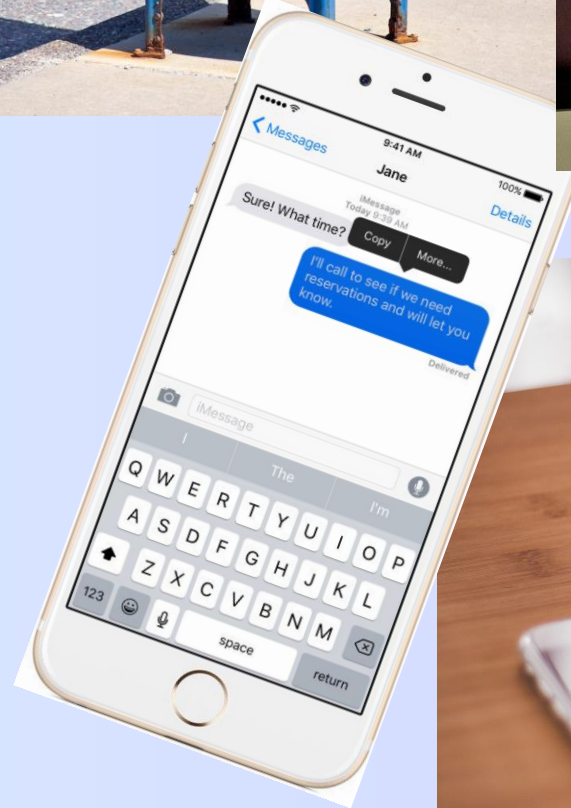
Estate Planning

- Property titling (JTWROS, community property, tenancy by the entireties)
- Domicile for will
- Other documents (POAs, living wills, POLST)
- Issues at death
 - Ancillary probate
 - Taxes

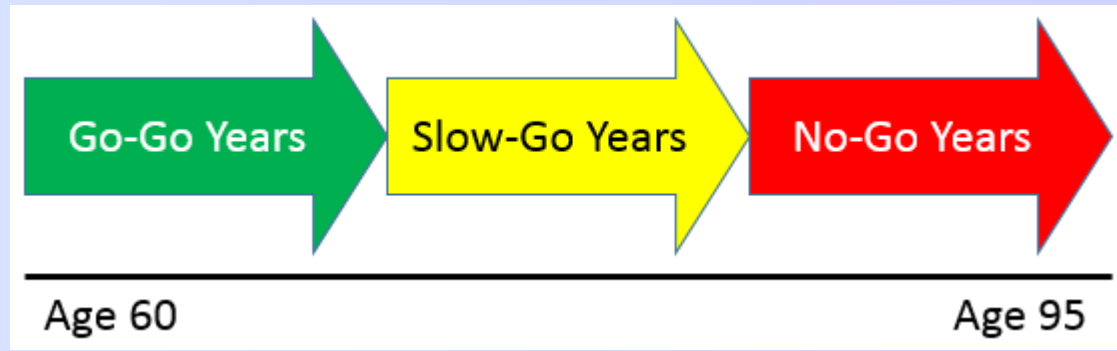


Advisors

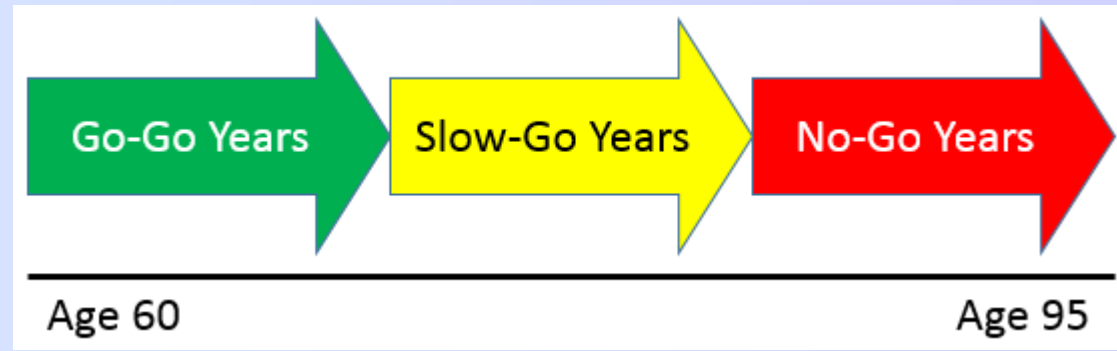
- Issues:
 - Accessibility (meetings, mail)
 - Knowledge (general versus local)
- Financial
- Legal
- Tax



Planning Your Exit



Planning Your Exit



- Frailty
- Death of a spouse
- Financial changes
- Alternatives
 - Active Adult Retirement Communities (55+ AAC)
 - Continuing Care Retirement Communities (CCRC)
 - Naturally Occurring Retirement Communities (NORC)



Jan and Dean Beach

- ***“Reverse mortgage for purchase”*** to purchase condos in IL and FL
- **Changed residence to FL**
- **Switched to Original Medicare & Medigap**
- **Maintain one car in each locale & fly back and forth**
- **Financial & tax advisors in Chicago**
- **Healthcare and legal in FL**

Living the good life!!

Other Issues to consider with dual residences

- ✓ Second residence as an investment asset
- ✓ Vacation homes as a family legacy
- ✓ Foreign/expat ownership
- ✓ RVs, yachts, and other “moveables”

Key Takeaways

- Many retirees to want to live in more than one location – to “snowbird”
- Advisors can help by providing information on the financial, legal, budgeting and tax issues that otherwise can derail a client’s plans
- Financial solutions such as reverse mortgages can help finance the ownership of two residences, and there are multiple tools to help successfully maintain these residences.
- With proper planning, advisors can work with retired clients, even though they spend their time in more than one location

Questions

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