



Finding the Ideal Place to Live in Retirement

Planning for retirement is rife with big questions — not just *how* you want to spend your golden years, but *where*? For some, retirement offers the opportunity to spend more time with family; for others, it's the chance to venture into a different climate.

For the most part, seniors are planning to spend their retirement near the homes they've always known. A 2021 study by the AARP showed that approximately 75% of people over 50 plan to stay in their current communities for as long as possible.¹ It's a prudent choice given that half have paid off their mortgages, but even so, about a third of respondents recognized that they might need to make physical changes to their homes to accommodate changing health and mobility needs as they age.²

Whether you're planning to stay put or change locales, where you choose to live after retirement can have a big impact on both your finances and your quality of life. Here's a look at some important considerations.

Should I Downsize?

The nest may feel empty once the kids have moved out. Even if you're inclined to stay close to your community, downsizing and moving to a smaller home that can increase accessibility and comfort while reducing upkeep and expenses may be an attractive option, especially if the new place is close to family, friends, and recreation.

¹ AARP, "Where We Live, Where We Age: Trends in Home and Community Preferences," 2021.
<https://www.aarp.org/research/topics/community/info-2021/2021-home-community-preferences.html>

² Ibid.

Many cities offer retirement communities providing amenities, services, and opportunities to socialize with new friends, build community and increase your quality of life. Especially for retirees who may be aging alone, such communities can help reduce isolation and expand your circle of friends.

What About Expenses?

After retirement, advisors suggest that you'll spend between 55% and 80% of your current income each year, so if you are considering a move, the overall cost of living should be a key factor in your consideration.³ Take a look at the local economy of the place you want to go to determine if it is within your budget to buy or rent property and if the overall cost of living is sustainable. Generally speaking, advisors suggest that housing costs should comprise no more than 30% of income for people of any age.

You'll want to consider the tax impact of a move as well. A few states, including Illinois and Hawaii, do not tax retirement income, and seven states, including Florida and Texas, have no income tax at all. A low-income tax rate does not necessarily mean a low cost of living, however. Alaska, for example, may have a low tax burden but is also one of the least affordable states to live in.

If you're feeling adventurous, you may also consider retiring to a different country, perhaps one with a lower cost of living or a more attractive climate. For example, a retired couple in Mexico could expect to spend about \$2,500 a month, including the cost of private health insurance.⁴

What about Healthcare?

Healthcare costs can skyrocket as we age, and that can make planning tricky. Even if you're in relatively good health when making the plan for where you'll live in retirement, you'll want to factor in access to hospitals and healthcare providers that can serve your needs, as well as expenses for medications and healthcare services that may not be covered by private insurance or Medicare.

Factoring in Quality of Life

At the end of the day, one of the key goals of retirement is an enjoyable quality of life. List your goals to determine what amenities different locations provide. If your goals include soaking up the culture, a vibrant, urbane arts community might suit you; outdoors types might opt for a community with access to golf courses and walking trails. And, of course, the ability to easily get together with friends and family is a critically important factor in overall happiness.

³ Forbes, "How Much Should You Save For Retirement?" 2022.

<https://www.forbes.com/advisor/retirement/how-much-to-save-for-retirement/>

⁴ International Living, "[How Much Money Do You Need to Retire in Mexico in 2022?](#)" 2022.

Whether you want to spend your retirement spoiling your grandchildren, traveling to the places on your bucket list, or a little bit of both, you'll want to consider what makes you happy when deciding where to live in retirement.

With all these factors in mind, consult your financial advisor who can help you survey your options and model scenarios based on taxes and cost of living. That way you can make an informed decision about the financial impact of a potential move and adjust your plans as necessary.

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