

Retirement Tax Havens

Contributed by Ken Morris
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{bot_wrgoogle}Retirees who plan on continuing to work in their "golden years" should know that state taxation of such income varies widely. Some states give retirees favored treatment on earned income, some treat retired seniors like everyone else, and some impose no tax at all on earned income. Taxation of investment income shows nearly as much variation between states. Retirees in a new domicile must also watch out for unexpected municipal income taxes.

Income from government, military, private pension and other retirement plans is growing increasingly important to the survival of retired individuals. Some states exempt all such pension income from taxation, while others exempt certain types or place limits on non-taxable pension income. Some states even tax former residents on retirement plan withdrawals, creating the possibility of paying income tax in two states. Some states follow federal tax formulas for taxation of Social Security benefits, others have their own formulas, and some tax benefits not at all.

Sales and property taxes must also be considered. Again, some states offer property tax advantages to retired seniors while others provide homestead exemptions. Retirees should consider sales taxes when estimating their retirement budget for such items as clothing, household goods, food and drugs.

It is also important not to overlook the effect of estate taxes upon the surviving spouse. Some states do not provide an unlimited marital deduction. Property ownership laws must also be examined in this area when considering the distribution of possessions upon death. Changes in these laws must be monitored as many states will attempt to make their financial environment more appealing to retirees.

All retirees weigh the cost of living, weather, nearness to relatives and recreational opportunities in their decision to settle in their retirement community. The tax climate should also be examined to analyze the financial situation during retirement. Working with an experienced financial planner, as well as a tax advisor, is often recommended to those looking for a retirement home.

"Can somebody please help me watch, manage, invest or oversee my 401k" is the question Mr. Morris hears most often that causes him the most concern. Fearing the American worker is being left in the dark, Mr. Morris, a fee based Investment Advisor Representative, based in Central Ohio, with Raymond James Financial Services, Inc., helps <http://www.investmy401k.com> 401k participants get the most out of their retirement plan.