

## Financial Tips for Snowbirds

By Marla Brill

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Even though she's not leaving for another month or so, Pam Barber has already begun making preparations for her annual 1,600-mile, three-day drive from Arizona to Washington state in her 1995 Jeep. In the fall, the 67-year-old retired teacher, along with husband Denis and six-year-old labradoodle Blanca, will make the trip in reverse. "It's a lifestyle that really suits us, and it's the best of both worlds climate-wise," she says.

As spring approaches the massive annual migration of winter residents like Barber will begin in Florida, Arizona, and other sunshine states. While the snowbird lifestyle can be a powerful draw for those with the means and geographic flexibility to pull it off, there are a number of financial issues unique to people who spend time in two distant states.



**Health insurance.** The geographic restrictions of many Health Maintenance Organizations (HMOs) and Preferred Provider Organizations (PPOs) can make them impractical for nomadic lifestyles. With an HMO, participants are usually limited to network physicians in a limited service area, except in case of emergency. A PPO may permit visits to out of network health professionals, but require higher co-pays for them.

One solution would be traditional insurance accepted anywhere in the U.S., although it is likely to be more expensive. As an alternative some HMOs and PPOs offer "guest memberships" at other locations to people who are absent from their normal service area for more than 90 days.

Barber started out using an HMO as part of her Medicare Advantage plan, but found it didn't work too well outside of Washington. In one instance, when the HMO okayed an out-of-state procedure, the approved provider turned out to be over 100 miles away. Another snafu happened when the HMO balked at covering a \$1,700 procedure that was performed outside of its normal service area. After these incidents she switched to a traditional Medicare plan, which is good anywhere in the country.

**Taxes.** Along with warmer climates, a compelling draw for many snowbirds from high tax locales such as New York is the prospect of changing residency status to places such as Florida or Nevada, which do not tax income.

"A lot of people have probably heard from their friends that they can avoid income taxes just by buying a house in another state," says Melissa Labant, a tax accountant

and technical manager with the AICPA. "Unfortunately, it's not that easy."

The first requirement for residency is having a physical presence for a minimum length of time, which in most states is around 180 days. "You also need to show that you have taken steps that truly make you a resident of the state, such as registering a vehicle, using local doctors, or obtaining a professional license," says Labant. "In this tough economy, states are becoming more aggressive when it comes to checking up on residency status."

On the other hand, if you are happy with your tax status in one state you don't want to hang around long enough to be considered a resident in another. "We really watch the calendar closely so the Arizona tax man doesn't come out of the tumbleweeds," says Barber.

State estate taxes are another consideration. Although the federal estate tax exemption is currently set at \$5 million, the exemption at the state level varies, says Howard Krooks, partner at Elder Law Associates in Boca Raton, Florida. In New York, estates are subject to tax if they exceed \$1 million, he says, while Florida has no estate tax.

**Cars.** People who store vehicles in two states often consider suspending insurance coverage on their cars when they're away. Since most states require insurance on all registered vehicles, they will likely need to suspend or cancel their registration when they leave, then re-instate insurance and registration when they return.

If you don't want to go through that inconvenience, check to see if your insurer will allow a temporary suspension of the collision coverage on idle vehicles. If it does, you should still maintain comprehensive coverage to comply with state requirements for registered vehicles and cover theft or other non-accident related damages. Those with an auto loan should maintain full comprehensive and collision coverage, which lien holders typically require.

**Legal matters.** Krooks suggests having advance directives such as a power of attorney or living will drawn up by attorneys licensed in both states, since an out-of-state document may not be honored by local financial institutions or health care providers. He also advises people with two homes to keep them in a revocable trust so that heirs do not have to deal with probate in two distant jurisdictions.