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## OTHER COSTS

People considering a vacation home need to consider other costs, like taxes.

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Come mid-October, Dee Truluck-Williams, 49, and her husband Jason, will pack up their Wolfeboro, N.H. home and head south to Venice, Fla., just as they have since 2010, when they bought their snowbird home.

“When it starts to get cold in New Hampshire, we head down,” says Truluck-Williams. “Within a few days, we’re texting our kids’ pictures with ‘beer in hand, sitting on the beach,” she jokes.

The couple didn’t set out to become snowbirds, but after visiting an aunt down in Venice a few years ago, they were enticed by the real estate deals and the warm weather.

They’re not alone: Vacation-home sales (which are often in warm-weather destinations) rose 7% in 2011, according to the latest data from the National Association of Realtors and analysts at the firm expect this rise to continue.

The average age of a vacation-home buyer was 50; the typical buyer purchased a property that was a median distance of 305 miles from his primary residence; and roughly three in four vacation homes were bought in the South and West.

Among recent vacation home buyers, one in three bought because of the good deals on real estate, according to a 2012 study by vacation rental site HomeAway.com. “There’s definitely been an increase in interest [in buying second homes] because people know there are great deals right now,” says Karyn Glubis, a real-estate broker in Tampa. “A bunch of my clients are snowbirds from New York and the Northeast.”

To be sure, there are risks as well as rewards to buying a snowbird home. Second-

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before permanently moving south. "First impressions can be deceiving."

When visiting, you should investigate things like what residents are like, activities and community safety: More than eight in 10 snow birds say personal safety is key to their satisfaction in their warm-weather communities, 78% say the social opportunities are, and 63% cite the outdoor activities, according to a study published in January in the journal *Tourism Management Perspectives*.

It's also important to investigate health-care options in the area, says Michael Nuschke, a retirement adviser who splits his time between Ajijic, Mexico and Nova Scotia. Search online for rankings of nearby hospitals and talk to people who live there about what the options are, he recommends.

Then, there are the financial considerations. In addition to finding a good deal on a home, here are some money matters that aspiring snowbirds should consider.

## Taxes

The income tax issue can get complicated, especially if you hope to save on taxes by treating the snowbird state, rather than your home state, as your state of residency, says Henley.

There's the simple part of the equation—what the new state's income-tax rate is (seven states, including Florida and Texas, levy no income tax) and whether and how the state taxes things like Social Security—which you can learn about at [TaxFoundation.org](https://www.taxfoundation.org).

Then there's the harder part: Are you truly a resident of the new state so you qualify to pay income tax there, rather than your prior home state? "You need to seek professional advice when figuring this out because each state varies and it's really

complicated,” says Clarence Kehoe, executive partner of accounting firm Anchin,

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He uses the example of New York: “First they look at your days spent in New York and whether you maintain a permanent place of abode there; then they will also look at what your ‘intent’ is ‘is your new home really your permanent residence?’” he says.

To determine this, they may look at things like: Are most of your family business and social connections still in New York, do you still go to all your doctors in your home state, where do you keep possessions that are of value to you?

“New York has recognized that people who say they move to Florida really are still New Yorkers,” he says. “They raise tens of millions of dollars auditing people on this.” New York isn’t alone in this, so it’s important to talk to your tax adviser., he says.

Besides income tax, the other two big taxes to consider are property and estate taxes, says Kehoe. Property taxes are fairly easy to research, as a lot of real-estate firms post them on their websites and local real estate agents can help you determine that, says Kehoe.

Estate and inheritance taxes are slightly more complicated: Everyone is allowed the federal estate tax exemption (\$5 million per person or \$10 million per married couple), but some states have their own estate and inheritance tax rules with thresholds lower than the federal. “An individual could be subject to a state estate or inheritance tax even if not subject to the federal tax,” says Kehoe. Other taxes to consider are sales tax, use tax, taxes on cars and tolls, he says.

## **Rental market**

More than nine in 10 vacation home buyers plan to rent their new property within 12 months, and 71% said rental income influenced their decisions to buy, according to a study by NAR.

Dennis Evans, 70, who owns the Tunnel Hill Winery in the Lake Chelan area in

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With the growing popularity of home rental sites like HomeAway.com and AirBnb.com, many assume renting will be a cinch and cover a good portion of their mortgage. But you have to pick the right place if you want to make this work and consider the associated costs.

Pick a property you'll love and that renters will pay for, experts say. Location can help ensure your property is rented often, she says Kimberly Smith, co-founder and CEO CorporateHousingbyOwner.com, a housing rental site. Look for places that are near the main attraction of the area, like the city center, beach or theme park.

Jon Gray, the senior vice president in North America of vacation rental site HomeAway.com, suggests that you think about the kind of people who will be renting the place. "In Orlando, you're most going to be renting to families so a lot of bedrooms makes sense, but other areas get more couples," he says. Do your homework online to see what other amenities rentals in your area are offering.

### **Other costs**

While you might find a decent deal on a home and low tax rates in a somewhat remote or less touristy area, your cost of living may go through the roof because it's hard to ship things like food and supplies to the area.

Take Hilo, Hawaii: Though real estate here is significantly cheaper than a top Hawaiian retirement spot like Kaanapali, you'll still find the same high cost-of-living you do elsewhere in the state. Food in Hilo costs 54% more than the U.S. average and utilities cost 56% more, according to Sperling's Best Places.

There are other hidden costs as well. "A lot of people don't think about the costs to travel to and from the place," says Nuschke. "Is there a major airport nearby and what do flights cost?" Other costs to consider include homeowners and flood

insurance, condo or homeowners' association fees, golf or athletic community

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