In the Press

Webb Financial Group, LLC

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Snowbirds need guidance for sound financial path

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Snowbirds, those retired folks who shuttle between warm and temperate climates, shouldn't forget to fly right financially, planners caution.

"Living in two different states raises numerous complex financial issues that must be addressed," said Carma Basinger, a certified financial planner with Scottsdale, Ariz.-based Rowland Carmichael Advisors Inc., which has about $260 million under management.

Those concerns include tax, estate, probate, health and legal issues, according to financial planners and advisers who specialize in clients living in multiple residences.

What's more, they say, planners themselves need to be more proactive with snowbird clients to keep their business.

Those who change their official residence need to update their wills and estate plans to comply with state laws and requirements in their new home state, said Michael Bischoff, a Bloomington, Minn.-based certified financial planner.

"It sounds basic, but a lot of people don't do it. People are busy; they change their mail, their bank accounts and all the other little things they do when they move," said Mr. Bischoff, the chief operating officer for Webb Financial Group LLC, which has about $110 million under management.

"But the estate doesn't get done until someone dies, and that makes it a lot more complicated for the spouse who's living," he said.

Michael Kozak, director of wealth management for Salem, Mass.-based Cabot Money Management Inc., advises clients living in more than one state to place their property in a revocable trust in order to "take it out of the hands of probate court."

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>
> - Michael Bischoff

Putting all their property in the trust avoids the complications of different attorneys in different states and makes handling estate issues "much simpler" for spouses and heirs, said Mr. Kozak, whose firm oversees about $300 million.

Planners also stress the importance of being aware of the tax laws of different states.

"Clients need to plan carefully where they establish interest-bearing accounts or brokerage accounts," Ms. Basinger said. "To avoid taxes in the higher-tax state, they probably should not have paychecks forwarded to their residence in that state and refrain from earning income there."

Mr. Kozak said snowbirds need to do more tax projections with an eye to differing tax laws. "They don't plan enough," he said.

"They need to calculate how much time they spend in each state and where capital gains should be recognized," Mr. Kozak added. "By doing projections, we can see real numbers, model them out and offer some tangible advice."

Failure to understand state estate taxes is an increasing problem, he said, noting that many states have changed tax laws to raise revenue in the wake of federal cutbacks.

"There may be changes in the tax code that weren't there when they first drafted the trust," Mr. Kozak said. "Planners and clients need to keep on top of it."

He also recommended that snowbirds get a durable power of attorney when they move that can be utilized in more than one state and that they have a health-care proxy for each state that they are likely to be in.

Planners also run into trouble when clients live nearby only part time.

"They're farther away, and they may be gone for half the year. When they're in town, they're not as apt to see you, and let's face it, they may be talking to a financial planner in their new home," he said.