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Wealth Matters Newsletter

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Lifestyles of the Dual Resident: Maintaining Two Homes

It takes nearly 18 hours to drive from Chicago to Orlando, Florida. Gas for the trip is $89-$173. Plan to set aside 1 day and 5 hours to travel the 2,025 miles from Ann Arbor, Michigan to Tempe, Arizona. Gas will cost anywhere from $156 to $304.

Dual or seasonal residents choose to make those types of treks between two homes twice a year to take advantage mostly of milder temperatures and more comfortable climates elsewhere.

Why Orlando, Florida? Why Tempe, Arizona?

Both are popular destinations for retirees looking for more comfortable winter residences. Michigan's winter averages nearly five feet of annual snowfall in Ann Arbor.

Orlando, Florida enjoys the top spot in many rankings as one of the most popular retirement locations.3
Another Florida city, Tampa, takes second place. Miami; Scottsdale, Arizona; Atlanta; Salt Lake City; Honolulu; Denver; Austin, Texas; and Las Vegas fill out the top 10 list. Tempe, Arizona is 33rd.

A Dual Resident by Any Other Name

Although the proper term is seasonal or dual resident, the less flattering word is snowbird, which is a person who travels to warmer climates during the winter.

In modern use since about 1923, the term described seasonal workers who moved south during the winter. It came into common use in 1979 to refer to retirees who headed south for part of the year.

The original term, "winter resident", dates back nearly 200 years when rich Europeans left their northern homes during the winter for the warmer climates of Italy and Southern France. The "summer resident" lives permanently in the warmer location and travels north to avoid the hot summers. They became known as "sunbirds."

Besides their sojourning lifestyles, dual residents have their own magazines, their own websites, and their own rituals.

American dual residents read the *Winter Texan Times*, the *Snowbirds RV Traveler Magazine*, the *Snowbirds Gulf Coast Magazine*, and other publications and sites. Canadian travelers have the Canadian Snowbird Association. Many develop their own sites focusing on their communities and groups.

Who Are They?

Most are baby boomers who were born in the years after World War II. They are generally well educated, financially prosperous, and lead active lifestyles.

Most dual residents have both homes in the United States; 10% have permanent residences outside the country. They typically begin their migration journeys to warmer terrains around November and return in April.

Florida has traditionally been the biggest draw for dual residents. Analysts estimate Florida may attract nearly a million non-state residents annually.

How Does A Dual Resident Prepare?

Dual residents typically follow strict checklists before heading to their second residences. Some items to include are:

- **Change mail delivery.** Winter residents may ask their post offices to hold or forward their mail. Using bank bill pay is the best option for paying bills.
- **Suspend services.** Turning off utilities and Internet services can be complicated. Some service providers have seasonal programs.
- **Set indoor temperatures.** Many seasonal residents set their thermostats at low temperatures to save money. A home monitoring system might be the best choice to avoid surprises.
- **Turn off the water.** Shutting off the water at the main valve into the house is best.
- **Talk with law enforcement and neighbors.** Alerting local police departments and trusted neighbors is a must.
- **Suspend subscriptions.** Calling newspaper offices at least a week in advance to suspend a subscription prevents pileups.
- **Take medical records.** Dual residents should take copies of their medical records and their medications with them.

What Financial Considerations Should You Ponder?

1. How will you pay for the property?
2. Will you downsize in your current location to add a dual residence?
3. Have you considered insurance and property taxes?
4. How will you handle utilities and maintenance?
5. Will either location have association or management fees?
6. How much will you budget for travel expenses?

What Does the Future Hold?

According to projections, the population of those 65 and older is expected to double by 2050 to 83.7 million. The allure of dual residency—at least among baby boomers—may be fading. Nearly 90% of older Americans are now deciding to stay put, with 80% saying their current residence is where they plan to stay for the rest of their lives. However, if the dual residency lifestyle appeals to you, we'd be happy to help you plan for making it a reality!

Tips for Considering a Prepaid College Plan

Your children (or grandchildren) may be small, but your dreams for them are big. You'd like to give them the opportunity to attend college, but the rising cost of higher education appears to be putting those aspirations further out of reach.

Costs to attend public or private colleges rose nearly 3.6% this year, according to The College Board's annual report, while inflation ticks up only at a rate of about 2% per year. Add to the bad news the fact that the average annual cost at public 4-year colleges increased by $300 for in-state students and by $800 at private colleges. Trends indicate those numbers will only continue to increase.

According to a recent survey of college costs, the average bill to attend an in-state public college for the 2017-2018 academic year was $25,290. At a private college, the cost was $50,900. Multiply those numbers by 4 (for a 4-year degree) and we easily move into the 6-digit range.

Mix into all this financial confusion the rapidly rising levels of graduates' college debt. Nearly three-quarters of graduating students have student debt. Nearly 90% of graduates from for-profit colleges have student loans.

America holds more than $1.48 trillion in student loan debt among about 44 million borrowers. The total U.S. credit card debt is $620 billion by comparison.

What can you do to help pave the way for your children or grandchildren for a smooth and cost-effective transition to the college years—without the huge debt burden? Many parents are looking at prepaid college plans to prepare for their children's future. The draw of a prepaid tuition plan is generally promoted as locking in future tuition at current tuition prices.

Here are what prepaid tuition plans look like from both sides:

Why They're Good:

Prepaid plans put rising college costs within reach of those footing the bills. Ongoing increases in costs may hit 8% in some states, which means children born today may face annual bills of nearly $80,000 by the time they're ready for college. For private colleges, the bill may exceed $150,000 per year.

The 529 prepaid tuition plan exempts holders from federal taxes if the money is used specifically for qualified college expenses. Holders may also qualify for state tax breaks.

Prepaid tuition plans are guaranteed to keep pace with inflation rates. Some states guarantee against default of plans; some even assume the financial risk in state-run plans.

In short, college prepaid tuition plans are generally safe from wild market fluctuations, skyrocketing tuition and college costs, and hyperinflation. And if your children or grandchildren pursue other plans, earnings on your investment may still beat Treasury bills or CDs, although they don't match responsible stock market investments.

Why They May Not Be Your Best Option:

Money in state-run prepaid tuition plans can only be used for tuition and fees at in-state public colleges. Prepaid tuition plans don't cover room and board. Separate prepaid savings plans cover books, room, and board.

Prepaid and saving plans may keep pace with rising tuition rates and inflation and, between the two, cover all of college costs. But money invested in the stock market generally performs better.

Access is limited, and availability and requirements can get confusing. All 50 states offer some form of college saving plan; 16 provide both the prepaid tuition plan and the college savings plan; Washington offers only the prepaid tuition plan. Thirty-three states have only the college savings plan; 12 states incorporate aspects of prepaid tuition plans in their college savings plans. (529 plans include both prepaid tuition plans and college savings plans.)

Parents or grandparents have limited control over contributions. Many plans only return original investments with low rates of interest if the student decides not to go to college or goes to college out of state. Massachusetts's return rate is at or below 3%.

What Do You Do?

Do the detective work. College savings plans do not exist in an equal opportunity investment world. Get out there and do the legwork. Working with a financial professional is an excellent first step in making your decision.

Here are some tips to help you decide:

- **Is the plan safe?** The theory goes that plans keep pace with tuition increases. The reality, however, is sometimes different. Get assurances before you commit by examining the plan's annual financial audits.
- **Take a hard look in your own financial backyard first.** If you still have debt or haven't saved for retirement, you may want to think twice before committing to a prepaid plan. While the idea of helping your children or grandchildren with college is noble, you ought to consider the financial burden you may place on them in the future for your own lack of preparation.
- **Take a very close look at the plan.** Find out exactly what it covers. Many plans don't cover room, board, and other expenses. If you go with a tuition plan, you may have to find ways to cover the other expenses.
- **How about those taxes?** You may be able deduct contributions to prepaid plans in some states by taking advantage of state tax breaks.
- **Contribute early and often.** By contributing early and making installment payments, investors are able to lessen the financial impact and lock in tuition costs at present-day rates.
- **Don't cancel early.** If your child gets a full scholarship or decides against going to college, the worst that can happen is you lose interest earned; you don't lose the principal. However, if your child decides later to go to college or loses the scholarship, you're prepared to help. Non-qualified withdrawals are subject to a 10% penalty and are subject to state and federal income taxes.
- **Consider switching plans.** Your child may decide to go to a 2-year community college, which is usually less expensive. See if you can downgrade the plan to cover community college expenses or retain the plan until the student transfers to a 4-year institution.

If you have any questions about prepaid college plans, we are always here to talk. Contact us today!

Marc Shaffer Named 40 Under 40

We are pleased to announce that Marc Shaffer has been chosen as a member of the 40 Under 40 Class of 2018 by InvestmentNews!

“Winners were chosen based on their level of accomplishment, contribution to the financial advice industry and leadership,” explains Frederick P. Gabriel Jr., editor of InvestmentNews. “They are role models for other young individuals who are striving to make a difference.” Marc was selected from a pool of almost 1,000 nominees.

Summer Bowl for Kids’ Sake

Our team had a great time at Summer Bowl for Kids' Sake raising money for Big Brothers Big Sisters of Greater Kansas City. We have a goal of raising $1,200 to help BBBS reach their goal of $850,000. If you would like to help children facing adversity build a long-term developmental relationship with a caring adult, please contact us.

Camp Quality Visit

Ryan Brooke had the opportunity to visit Camp Quality as a member of the Ray-Pec Sunrise Optimist Club. Camp Quality is a summer camping experience and year-round support program for children with cancer. His group served dinner and then attended the talent show put on by the campers. To find out more about Camp Quality, visit http://www.campqualityusa.org/gkc.

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