

## Does Maryland get a bad rap as a retirement state?

▲ By: Samantha J. Subin ⊙ July 30, 2019

Bill Schwartz is letting his clients know there are cheaper places to retire outside of Maryland — a state that for many is synonymous with a high cost of living and high tax rates.

"I'd be remiss in not actually bringing those (relocation) options to the table," said the principal and managing director at Bronfman Rothschild Wealth Advisors in Rockville.

Plenty of retirement studies conclude that, yes, the Old Line State is one of the worst states in which to retire, at least in terms of affordability. A recent ranking from Bankrate ranked Maryland as the worst state for retirement nationwide. A 2018 ranking from Kiplinger ranked Maryland as 48th and the "Least Tax Friendly."



While a number of studies and stateby-state comparisons conclude that Maryland is not a good state for retirees, some experts say the reality of retirement is more complicated. (Depositphotos)

However, some experts question the accuracy of those reports, saying the reality of retirement is a lot more complicated.

First, the downsides.

Nationwide, Maryland is one of the only states to impose both an estate and inheritance tax; the estate tax exemption is \$5 million; the inheritance tax stands at 10%.

While Maryland doesn't tax Social Security benefits, distributions from accounts like IRAs and 401(k)s are taxable. A pricey housing market and above-average rent prices are also an issue for some residents and retirees, leading some to ditch Maryland for places like Pennsylvania, where all income from Social Security and retirement accounts is exempt from state taxes.

For many residents, the primary cost of living statewide is the high cost of real estate, said Molly Goetz, a senior financial adviser at Greenspring Advisors in Towson. However, while rates are higher than some southern states, this has generally been the case for the past few years, she added.

"I haven't had any clients about to retire come to me and tell me that just because of the high cost of living I am moving somewhere else," Goetz said.

The recent Bankrate ranking, which pulled together data from a variety of reports, including the 2019 Cost of Living Index from the Council for Community and Economic Research, placed Maryland 47th for affordability and 42nd for culture, while also taking into account crime, wellness and weather.

But some experts, like David John, question the accuracy of some retirement studies and how they acquire their results.

"You need to look at the cost for an average-income individual and then you need to determine the locality," said John, a senior strategic policy adviser at the AARP Public Policy Institute. "Where does the individual want to live?"

While some metropolitan centers may boast a high cost of living, in areas like Western Maryland and other regions of the state expenses are low. Many studies fail to include Social Security numbers, which a vast majority of moderate income workers rely on post retirement, he added.

Although the level of taxes clearly is a problem for Maryland in state-by-state comparisons, there are some nonfinancial perks to living in the state. Proximity to the mountains, water and cultural activities is reason enough for some retirees to stay put, Schwartz said. Health care is fairly affordable and utilities are stable, John added.

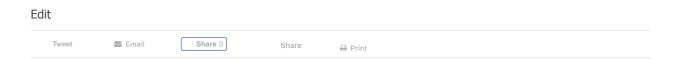
Then again, the focus on where to retire may obscure a more pressing reality. Sarah Mysiewicz Gill, a senior legislative representative with AARP's government affairs department, said no matter where adults retire they need to save early.

"There is a general kind of fear of getting started in savings," she said. "Nobody wants to go into a bank and open up an IRA. It's complicated, it's expensive and nobody really knows where to start."

Putting \$10 or \$15 into an account every month, setting up direct methods from paychecks and ensuring that employer retirement plans are easy to use are the best ways to prepare, she said.

By 2020, Gill and others hope to implement Maryland Saves, a public-private partnership retirement savings program which — through the cooperation of the state legislature, the financial industry, and private employers — will provide coverage to employees who lack retirement plans at work.

"It costs less to save for retirement if you do it earlier," she said.



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