LESSON · TRAVEL & ENTERTAINMENT

Snowbirding: Rent, Buy or Stay Home?

Spending winters somewhere warm is one of retirement's great perks. Before you rent, buy or move, here are the costs, the state tax rules and the health coverage questions to get right.

Read time: 7 minutes **Level:** Intermediate **Includes:** Knowledge check

Snowbirding, splitting the year between home and somewhere warmer, is a common retirement dream. It's also one of the bigger financial decisions retirees make, because it touches housing, taxes and health coverage all at once.

Option 1: Rent for the season

Renting is the most flexible choice. You can try different places, walk away if your plans change, and leave the maintenance to someone else.

- **Costs:** seasonal rent, often higher than year-round rates in peak months, plus utilities and travel.
- **Best for:** your first few winters, or anyone not sure where they want to land.

Option 2: Buy a second home

Owning gives you a place that's yours every season. But a second home costs money every year, not just the day you buy it.

Renting vs. buying, an illustrative comparison

	RENT 3 MONTHS A YEAR	BUY A $350,000 CONDO
Rent	$4,000 a month × 3 = $12,000	—
Property tax, insurance, HOA and upkeep	—	About $14,000 a year (varies widely)
Earnings given up on $350,000	—	About $14,000 a year at 4%
Yearly cost	**About $12,000**	**About $28,000**, before any change in the home's value

Illustrative figures only. Ownership can still make sense if you'll use the home for many years, it holds its value, or you rent it out when you're not there.

Renting it out? The IRS has a useful rule: if you rent a home you also use for fewer than 15 days in a year, none of that rental income is reportable, and none of the rental expenses are deductible. Rent it longer and the income is taxable, with expenses split between personal and rental use.

Option 3: Stay home and travel instead

For some retirees, a few long trips cost less, and ask less of them, than a second household. If you love home but want winter breaks, price a month or two of travel against the rent-or-buy numbers above.

The state tax question

Many snowbirds hope to become residents of a no-income-tax state. Two rules matter:

- **Domicile is where you intend your permanent home to be.** You can only have one, and your old state may not accept that you've changed it unless your actions show it: where you vote, register cars, see doctors, keep your belongings and spend your time.
- **Day counts can make you a resident anyway.** New York, for example, treats you as a resident if you keep a permanent place to live there for substantially all of the year and

spend 184 days or more in the state, and any part of a day counts as a day.

Property taxes have their own rules. Florida's homestead exemption, for example, is only for a home that was your permanent residence as of January 1, and you generally can't claim it if you or your spouse get a residency-based exemption in another state.

> **Changing your tax home takes more than an address**
> A move that saves state income tax can be worth thousands a year, but states with income taxes do audit former residents. Keep records of where you spend your days, and talk with a tax professional before you count on the savings.

Health coverage that travels

- **Original Medicare** works with any provider in the U.S. that accepts Medicare, so it travels well between states.
- **Medicare Advantage HMOs** generally require you to use the plan's local network. Outside it, they cover emergencies, out-of-area urgent care and temporary dialysis, but not routine care. Check how your plan handles months spent in another state, or look at plans with wider networks.
- **Prescriptions:** confirm your drug plan's pharmacies near your second home, or use mail order.

How Blueprint approaches this

- Your **ZIP code** sets the state taxes in your plan. The **Retirement State Comparison** (included with Plus and Premium, or $29 on its own) shows what your paycheck would look like in another state.
- Seasonal rent belongs in your **Budget**. A second home purchase can be added as a **Future Large Purchase** (Plus), paid from your Growth Engine, with any shortfall flagged as a **Funding Gap**.
- If you rent the home out, enter the rent as **rental income**, and Blueprint includes it in your paycheck and taxes.

- A **what-if scenario** (Plus) lets you compare renting with buying side by side before you decide.

Before you commit to a winter home:

- [ ] Rent for at least one season before buying
- [ ] Price the full yearly cost of owning, not just the purchase
- [ ] Decide which state is your permanent home, and live like it
- [ ] Keep a record of the days you spend in each state
- [ ] Check how your Medicare plan works in both places
- [ ] Talk with a tax professional before changing your domicile

KNOWLEDGE CHECK

Test what you just learned

Answer four quick questions to test what you just learned.

1. What's usually the most flexible way to try snowbirding?

> A. Buying a condo
> B. Renting for a season
> C. Selling your home

2. You rent your winter condo to others for 10 days a year. What does the IRS say about that rent?

> A. It's fully taxable
> B. It isn't reportable, and the related expenses aren't deductible
> C. It's taxed at a special rate

3. In New York, roughly how many days can make you a resident if you keep a place there?

> A. 30 days
> B. 184 days or more, counting any part of a day
> C. 365 days

4. Your Medicare Advantage HMO is based at home. What does it cover in your winter state?

> A. Everything, like at home
> B. Emergencies, out-of-area urgent care and temporary dialysis, but generally not routine care
> C. Nothing at all

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Sources: Internal Revenue Service, Plan ahead for vacation home rentals; New York State Department of Taxation and Finance, Income tax definitions; Collier County Property Appraiser, Homestead Exemption; Medicare.gov, Health Maintenance Organizations (HMOs).

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