Americans are on the move.
Beware these four common mistakes before you follow in their footsteps.

Migration Nation

Americans are pulling up stakes—motivated in part by the shift to remote work, which went from the exception to the rule over the past year. Indeed, some 14 million to 23 million people are expected to move this year to take advantage of new work-from-home opportunities. Add to that the rising cost of living in many major cities and the heightened risk of climate disaster threatening others, and moving may become relatively commonplace in the coming years.

Regardless of your reasons for moving, it pays to do some financial and tax planning long before you start packing. "Moving is stressful enough without encountering hidden costs," says Hayden Adams, CPA, CFP®, director of tax and financial planning at

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the Schwab Center for Financial Research. "So, it's really important to do your due diligence, or you could wind up in a precarious position that throws your finances out of whack."

With that in mind, here are four common mistakes to avoid when making your next big move.

Mistake No. 1: Underestimating housing costs

"Housing costs are going to be the core component of anyone's budget," says John Byers, CFP®, a financial planner at Charles Schwab. "It's easy enough to plan for your monthly mortgage or rent payment, which is generally fixed, but smaller, more variable housing expenses can really add up."

In particular, be sure to investigate:

■ ***Homeowners insurance:*** As with any type of insurance, premiums will vary widely by company and coverage. It's wise to get multiple quotes before you commit—and to ask your agent to walk you through each element to ensure you don't pay for coverage you don't need or overlook coverage you do.

■ ***Supplemental insurance:*** If you're moving to a coastal area prone to floods or hurricanes, or to a wildland-urban interface zone—areas at the edge of expanding human development that are at greater risk of catastrophic wildfire—your mortgage lender may require supplemental coverage in order to fund your loan. Such policies can carry hefty premiums, and some insurers have even stopped offering them in certain areas.

■ ***Property taxes:*** Real estate websites often list a property's prior years' tax assessments, but such taxes may be based on a lower home value than your purchase price. For a more realistic estimate, ask your broker how your new city or county determines property taxes and how often it conducts reassessments.

■ ***Utilities***: Electricity, internet, natural gas, sewer, trash, water—such costs can add up quickly and vary widely by location. If you'll be moving somewhere with extreme temperatures, for example, consider how cooling or heating could affect your overall costs, particularly for larger homes.

Taken together, the above costs can easily account for half or more of your total housing budget, so be realistic when estimating expenses. Ideally you don't want to pay more than 28% of your pretax income toward total housing costs.

Mistake No. 2: Underestimating taxes

The tax consequences of moving can be significant—especially if you're switching states. For instance, you may still be on the hook for income, payroll, and/or property taxes in your former state, particularly if you maintain a home or business ties.

Employees working outside their employer's state can also be subject to dual taxation, perhaps permanently.

By the Numbers

A look at moving in America.

11.7

Number of times the average American moves in her or his lifetime.

19.7%

Portion of people who move who do so for job-related reasons.

3 million

Number of Americans who make an interstate move each year.

$4,900

Average cost of an interstate move.

Sources: American Moving & Storage Association, moving.com, *The New York Times*, and the U.S. Census Bureau.

New York, for one, requires remote workers of companies based in the state to pay income tax even if the employee lives elsewhere. Work with a tax advisor to determine whether you need to withhold taxes and/or pay estimated taxes in multiple states, as well as with your employer's payroll office to handle any necessary paperwork.

It's also important to consider a state's total tax structure. "For instance, a state with no income tax may compensate with higher estate, property, and/or sales taxes," Hayden says. Also look at how your potential new state taxes things like dividends, investment income, and stock options. For example:

■ Nine states—Alaska, Florida, Nevada, New Hampshire, South Dakota, Tennessee, Texas, Washington, and Wyoming—have no income tax, though New Hampshire does tax investment income.

■ Interest income from municipal bonds is generally exempt from state income taxes for residents; however, you could lose the exemption on those you already hold by relocating to a new state.

■ Thirteen states collect state income tax on certain recipients' Social Security benefits: Colorado, Connecticut, Kansas, Minnesota, Missouri, Montana, Nebraska, New Mexico, North Dakota, Rhode Island, Utah, Vermont, and West Virginia.

You should also look into estate taxes. While the federal exemption is currently $11.7 million ($23.4 million for married couples), that number is set to come down by half starting in 2026, if not sooner. What's more, some states tax estates starting at $1 million.

Mistake No. 3: Underestimating the cost of living

"A lot of people assume their everyday expenses will largely stay the same when they relocate to a new area, but that's not always the case," John says. "Even if you're not moving to a big city, the differences in cost of living across state lines can be pretty staggering."

Depending on your needs, consider the cost of:

■ ***Child care:*** For working parents, the cost of full-time day care can rival a mortgage payment. That said, you've got options: An in-home day care could be more affordable than a full-service preschool—and both may be less expensive than a nanny.

■ ***Health care:*** If your employer offers health insurance, medical expenses may be less of a consideration for you—though, like everything else, costs vary widely by area and provider. Retirees will want to pay particular attention to the cost and quality of medical care, as well as options for assisted living and nursing care.

■ ***Transportation:*** Beyond the cost of gasoline, which can vary by a dollar or more per gallon, consider the price of car insurance and registration. Some states, such as California, may also require you to pay a one-time sales tax on vehicles purchased out of state within a year of your move. And if you're moving to an area without ample public transit, don't forget to factor in the cost of more-regular maintenance on your vehicle.

■ ***Food:*** It may sound incidental, but the cost of groceries, too, can vary widely. A gallon of milk, for example, costs as much as $4.69 in Hawaii and as little as $0.93 in Illinois. And if you'll be living in an area with limited agriculture, expect to pay more for fresh fruits and vegetables, in particular.

Also consider cost and access to nonessential expenses that can enrich your quality of life, such as entertainment and especially travel. For example, how much does it cost to fly from your new home to Europe or Mexico, or even to see your family in another state? All of these costs should play a part in your decision-making.

Finally, be sure that your combined living expenses don't undermine your ability to save for the future. "For example, a good rule of thumb is to set aside at least 10% to 15% of your income for retirement," John says. "Not even moving should get in the way of that goal."

Mistake No. 4: Overestimating job prospects

Many people have a job lined up before they move, but you should still do a thorough assessment of the employment market in your area of expertise. "What happens if your company downsizes or you want to change your employer or career path?" John asks. "It's always good to plan for change."

Also be sure to educate yourself about your new state's employment laws—including dependent benefits, discrimination prohibitions, and labor protections. "These can have a significant impact on your employment situation, so it's good to know your rights before you make a move," John says.

More than money

If your due diligence has you questioning the merits of a move, it's perfectly reasonable to stay put—or to reassess your goals. "As with so many things in life, you have to weigh the trade-offs," John says. "Maybe you wait to move until your kids go to college, or you settle for a different city or neighborhood. It doesn't have to be all or nothing."

Of course, even a move that increases your taxes or overall cost of living can still be worthwhile if it offers a better quality of life. After all, moving isn't just about money.

"Many Americans equate relocation with moving forward in life," John says. "And with the right foresight and planning, there's no reason that shouldn't be the case with your next move." ■

See page 42 for important information.

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