

SHOULD STATES RECRUIT RETIREES?

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A question being heard with increasing frequency in states that attract a large influx of retirees is: "Are they paying their way?" What apparently motivates this question is the perception of the state's established residents that they are paying for the medical care of retirees, many of whom moved to their state after they retired and some of whom can no longer afford health insurance.

In most states that are considered retirement destinations or that would like to be considered retirement destinations, the answer to the question is yes, but not unequivocally yes. In recent studies of the costs and benefits of retirees in Arizona, Florida, and Louisiana, THOMAS, WARREN + ASSOCIATES found that, *on average*, they have higher per capita incomes, spend more per capita, and pay more in state taxes than their younger counterparts. Further, these additional taxes cover any additional costs of state funded medical care required by retirees. The key phrase in this last sentence is "*on average*." While most retirement-age individuals are not imposing a burden on their state of residence, some are.

This raises the question of what to do about those who are not paying their way. They can't be denied residency. They can't be denied access to the medical services they need. One obvious solution is to discourage less affluent retirees from moving into the state. This, of course, begs the question of how to accomplish that? Retirees moving into a state, whatever their financial resources, can't be given less or lower quality medical care than other residents. They can't be denied any of the rights of other, current residents.

An obvious solution is to recruit affluent retirees to offset the burdens imposed by the less affluent ones. According to U.S. Census data, the household incomes of most migrant retirement-age individuals into Sun Belt states is higher than those aging-in place. The additional taxes paid by these more affluent retirees cover not only any costs they may impose on a state, but also the state funded medical expenses of those least affluent retirees. Thus, recruiting affluent retirees will ensure that, on average, retirees will not become a burden on a state's younger residents.

A few states have recognized this and have established state agencies whose purpose is to attract more affluent retirees. Examples of such agencies include the Office of Destination Florida and the Louisiana Retirement Development Commission. On the other hand, other, less farsighted states, such as Arizona, have abolished their state agencies charged with recruiting affluent retirees. The danger of this myopic strategy, especially to warm weather states that attract retirees without a recruitment program, is that without recruiting affluent retirees to offset the costs imposed by those less affluent ones moving to the state, the net benefits of retirees to the state will almost certainly fall and may, in time, become negative thus fulfilling the perceptions of those questioning whether retirees are paying their way.



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