Moving Your Money to Florida

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You probably already know that the Sunshine State offers a warm climate; breathtaking sunsets; fun tourist attractions; great golfing, fishing and spectator sports as well as beautiful beaches, including our very own Siesta Key Beach, which has been rated one of the top beaches in the United States. Not only is Florida a fabulous place to live, but it also provides significant financial benefits to those at or near retirement. For that reason, one key component of proactive tax management for our out-of-state clients includes an evaluation to see if a change in state residency may be to their advantage. Many of our clients have followed our advice and utilized our services to assist them in transitioning their domicile to the state of Florida to save big on taxes. You may be wondering if such a transition might be right for you. This chapter will give you a brief overview and some food for thought.

Florida has no personal income tax.

Florida is one of the nine states without an income tax. (Texas is another, so you might consider it as well). Florida ranked fifth for lowest tax burden on its residents and businesses in 2013 according to Tax Foundation, an independent research organization. Because Florida has no state income tax, this also means that retirement income is exempt from state taxation. Any money you receive from IRAs, private and public pensions, 401(k)s, and Social Security is completely free of in-state taxation.

No State Death/Inheritance/Estate Taxes

Florida has no state death, inheritance, or estate tax. That means the state of Florida will get 0% of your assets when you pass on. Keep in mind that your estate will still have to pay the federal estate tax no matter where you live, but Florida's lack of any estate taxes means more of your assets get passed down to your heirs.

Florida also has something called the Florida Dynasty Trust, which is an enhanced living trust created to provide future generations of your family with assets and funding sources that are likely to increase for years, decades, and even multiple generations. Unlike many trusts utilized in estate planning, dynasty trusts are long-term in nature. A Florida Dynasty Trust may be crafted to last for more than 360 years, which for all practical purposes makes it a perpetual trust. If designed properly, it protects the trust assets from claims of a potential future ex-spouse during a divorce, any potential beneficiary's creditors and judgments made against them, and can defend assets in the trust from being classified by the state as available resources should a beneficiary need, say, Medicaid for nursing home care.

Careful planning is required, and we recommend working with attorneys who specialize in this area such as those in our network of vetted partners. You can learn more about creating a Florida Dynasty Trust by visiting our website at www.awmfl.com/FloridaDynastyTrust.

Homestead Benefits

Florida is one of just seven states to offer unlimited homestead exemptions, making it an ideal place to own a home. This is one of the strongest asset protection tools in the country. It's even written into the state constitution as opposed to state statute (and as you know, it's practically impossible to convince voters to repeal an important constitutional benefit). The Homestead Exemption law protects unlimited amounts of value in a Florida home. Some judgment debtors living in other states will move to Florida and purchase a Florida homestead to protect their hard-earned money from collection by a creditor. The homestead law protects not only real estate, but also recreational vehicles, long term leases, mobile homes, and co-ops.

Florida also has friendly property tax policies. The state itself does not charge any property tax, though county governments do as this is their main source of income. On primary residences, Florida offers homestead tax exemptions up to $50,000. The first $25,000 applies to all taxes while the remaining $25,000 only applies to non-school taxes.

Creditor Protection

In addition to its homestead protection, Florida is a great state for all-around asset protection. You won't have to worry about losing your assets to a creditor or in a lawsuit if you've established residency here. The state offers protection for the following assets:

- IRAs
- Pensions
- Annuities
- Assets in a properly structured business entity
- Tenancies by entirety
- Cash value of life insurance policies
- Disability income
- Earned income if you are a head of household
- College savings plans

Should you become a Florida resident?

As you can see, there are many benefits to establishing Florida residency. The state is one of the friendliest for asset preservation and protection in the country. It also offers a beautiful climate to live year-round. Becoming a Florida resident is not difficult, though the decision about uprooting your life and moving can be.

While there is no conclusive test for determining state domicile in Florida, the more steps you take to show that you are terminating connections with your current state of domicile and the more steps you take to show connections with Florida, the greater the likelihood that your former state of domicile will not contest your residency status.

Steps to take to help establish residency in Florida

Retaining the services of an experienced fiduciary advisor and attorney in these matters may save you money and headaches, so consider asking for help.

Fill out and file a Declaration of Domicile in the Florida county to which you're moving.

If you own your Florida home, fill out and file an application for the Florida real estate homestead exemption. This document could not only help you show proof of residency but will also help you to qualify for all potential real estate tax breaks available by having your primary residence in Florida.

Get a Florida driver's license. This is required within thirty days of becoming a resident.

Register your vehicles in the state of Florida. You'll need Florida titles to your vehicles and to obtain Florida auto insurance.

File your federal income tax returns using your new Florida address. If you had state income taxes in your previous domicile, make sure to file a final tax return for the fraction of the year you resided there.

Consult with an experienced Florida attorney and update all your estate planning papers including wills, trusts, durable power of attorney, health care surrogates, and living wills. Wills, trusts and other legal documents drafted in another state might not comply with Florida law. Updating your estate plan according to Florida law will provide you with another form of proof that you've really moved to Florida. Move your investments, checking and savings accounts to local Florida financial institutions.

Register to vote in your new location even if you're someone who doesn't always exercise your right to vote

Update the mailing address on all your financial statements, services, and subscription services.

Notify all credit card companies and/or other creditors of your change of address. This will also allow all bills to be sent to your new address.

If you are receiving pensions and Social Security checks, make sure they are sent to your new address. If you are receiving automatic deposits, make sure that they are directed to the bank branch in Florida.

Make sure that you spend at least 183 days in the state of Florida and keep a record of your time in Florida each year.

Will your former higher tax state still try to collect taxes from you?

Possibly. Since the state and local tax deduction was restricted to $10,000, many high tax states have lost significant revenue because taxpayers moved themselves and their income to states with lower tax rates. You can't blame higher tax states for wanting to make sure that residents have actually moved out and didn't just try to make it appear so to get out of paying the taxes they legally owe.

For instance, in California, New York and New Jersey, residents may need to prove they no longer live in the state and that they don't intend to move back. In several states including New York, New Jersey, Minnesota, Massachusetts and Connecticut, moving out of state may subject you to a residency audit, which is not inexpensive or enjoyable. You're guilty until proven innocent in the eyes of the IRS and the states. It's literally a facts-and-circumstances-test. Several high tax states have special departments that will contest residency status and go after back taxes—in some cases after a person's death—usually leaving their beneficiaries in a precarious situation of potentially having to pay back the taxes over a prolonged period (i.e. twenty-five plus years if their parents' residency was not established properly). Many states have begun to implement these audits as part of their return review procedures and have taken taxpayers to task when they believe the taxpayers were trying to game the system. Audits are stressful, which is why it is advisable to let us help you. Not only will it give you peace of mind, but it will make your life easier.

Advanced Wealth Management Can Help You Achieve Your Estate Planning Goals.

Having a professional fiduciary advisor who has your best interests in mind assisting you with your financial future is always a great idea. If you want an experienced financial professional you can trust, call Advanced Wealth Management at 941.451.8512 for a complimentary evaluation.*

We look forward to hearing from you!

**For qualified investors with $500,000 or more in investable assets.*

Important Disclosures:
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