Key things to consider before relocating in retirement

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Retirement comes with many freedoms, including the ability to change addresses when the place you live no longer has to be tied to where you work. The choices usually involve downsizing, moving to a new community closer to family, or a warmer climate.

The likelihood of moving jurisdictions within Canada doubles at retirement, according to a study released in 2022 by Memorial University of Newfoundland associate professor of economics Derek Messacar. The study, which uses Statistics Canada data from 1982 to 2018 for people aged 55 to 71, shows that younger and higher-income tax filers are the most likely to move provinces when they retire.

"For example, Canadians who move to large urban centres when they are young may decide to move back home [to] another province or territory to retire near family," writes Dr. Messacar, who is also a senior research analyst in the Social Analysis and Modelling Division at Statistics Canada.

The study shows British Columbia and the Atlantic provinces were net recipients of retirees from other provinces while other jurisdictions lost retirees.

Financial and social costs of relocating

Retirees should be confident the relocation decision is something they can live with for the longer term, says Rona Birenbaum, certified financial planner and founder of Toronto-based Caring for Clients.

"One of the greatest obstacles to making a successful material life change like that is that most of us aren't naturally equipped to know what the older version of us will want in life," she says. "We're often not sure what will make the future us happy."

Relocating is also expensive when you factor in costs such as real estate commissions, legal fees, moving and storage expenses. Many people also buy new furniture and other household items when they move into a new home.

Ms. Birenbaum recommends homebuyers spend time in a new community before buying a home or condo to ensure it's a good fit. She suggests renting in the area for a year before buying a property. If possible, she also suggests not selling your existing home right away in case you decide to stay put. While renters have more flexibility, leaving a rent-controlled apartment also has some risks.

Saving money shouldn't be the main driver for retirees looking to relocate, adds Mike Preto, portfolio manager and insurance advisor with Hillside Wealth Management at iA Private Wealth Inc. in Vancouver.

"Money isn't the key ingredient to having a fulfilling and enjoyable retirement," he says, adding that proximity to family, friends and health care should be a priority.

"The social aspect of retirement is crucial."

Mr. Preto says advisors can often help retirees find other ways to conserve cash without uprooting their lives. Examples include cutting expenses, selling assets, tapping into government benefits sooner or, for homeowners, taking out a reverse mortgage.

"For those looking to move, hopefully, it's not for financial reasons but because you're excited about the lifestyle that awaits," he says.

And while people might save money by downsizing to a smaller home or a smaller community where house prices are lower, Ms. Birenbaum warns other costs might creep up.

For example, a couple that could get by with one vehicle in a city – using public transit, cabs or car-sharing services as a backup – might need two cars in a smaller community that doesn't offer those services. Groceries and other amenities might also be more expensive in remote communities that are harder to access and where there's less competition.

Health care services also grow in importance as we age, but access varies regionally. Seniors should ensure that they will have adequate access in their new location.

"It's not just about affordability, but access," Ms. Birenbaum says

The cost of leaving Canada

There are more complex considerations for retirees looking to leave Canada to live in another country, including the forced sale of certain assets, which could trigger capital gains, says Steven Flynn, partner and Canadian and U.S. cross-border tax expert at Andersen LLP in Vancouver.

Canadians who move out of the country automatically trigger the sale of certain types of property such as equities and foreign property, which the Canada Revenue Agency considers a deemed disposition. Canadian emigrants may also have to report a capital gain on the sale of certain assets, known as a departure tax, unless it’s an eligible pension, registered investments or property that stays in Canada, including a home or rental property.

“It’s Canada’s last chance to tax them on their worldwide assets and income before they leave the country,” Mr. Flynn explains.

Canadian retirees relocating to another country also need to consider the foreign exchange impact when converting their money. For instance, Mr. Flynn says someone moving to the U.S. might want to plan by setting up U.S. bank and investment accounts to avoid being surprised by any fluctuations in the exchange rate between the Canadian and U.S. dollars.

Retirees looking to leave assets to loved ones in their will should also consider the impact on their estate plans. For example, unlike in Canada, Mr. Flynn says some countries have death or estate taxes on the value of property owned that could lessen the amount that goes to beneficiaries.

Finding health care should also be a priority, he notes, as people who move away from Canada will no longer have access to their provincial health plans.

“When we have these conversations with clients about relocating, we just need to make sure they understand clearly what’s different in the place they want to go, so there are no surprises,” Mr. Flynn says.

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