



# Where to Retire

These towns have it all: topnotch health care, loads of culture, lots of green space—and everything else the most desirable places in America have. Except high taxes.

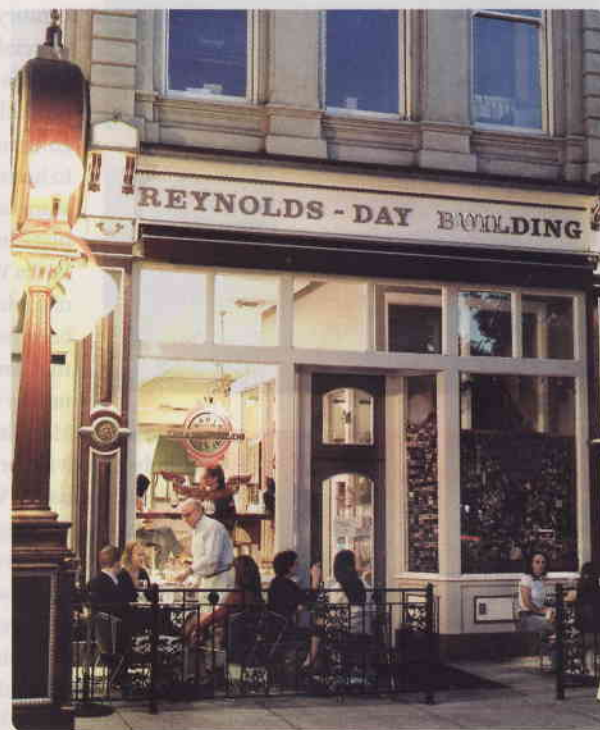
**WHEN YOU FANTASIZE ABOUT RETIREMENT,** you might imagine yourself doing any of the following: waking up to 70° weather, playing a round of golf, lying on the beach, meeting up with friends for dinner, getting decked out to go to the symphony or even just reading that book that's been sitting on your nightstand for the past several months. One thing you're assuredly not dreaming of, however, is spending a lot of money on taxes.

You don't have to. For MONEY's annual selection of best places to retire, we sought out tax havens—cities that have particularly low burdens for residents. But we weren't just looking for cheap places to live. We were looking for amazing places—cities with access to quality health care, rational home prices and lots of cultural and leisure activities—that don't soak their taxpayers.

In defining tax havens, we looked beyond income levies. As it turns out, many of the states with no income tax, including Florida and New Hampshire, hit residents hard with other taxes instead. We took income tax, property tax and sales tax into account and focused on those states

**BY TARA KALWARSKI,  
KATE ASHFORD, CAROLYN BIGDA,  
SARAH MAX AND JANET PASKIN**

**PHOTOGRAPHS BY JOÃO CANZIANI**



**Walla Walla, Wash.**  
Vineyard culture has turned this farm town into the Napa of the North.

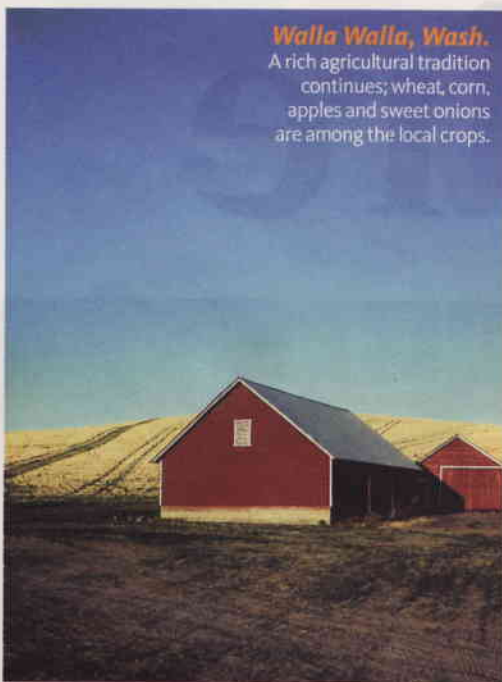
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in which the sum of all three is relatively low. Within those states, we looked at cities with high concentrations of people over age 60, low local property taxes and the amenities mentioned above that make for a great place to live at any age. After narrowing the field, we visited the towns, chatted up the locals and made our final selections based upon the community's vibrancy and residents' satisfaction.

Along the way, we discovered an encouraging trend. States

and cities are increasingly offering tax incentives to seniors. All the places that made our list have such breaks (Virginia, for instance, has plans to eradicate its estate tax). Why? Migrating retirees often pay more out than they cost in services, so by increasing the senior population, a place can lift its tax base without having to spend more on things like education. You get a break for living in a great place; the town improves its cash flow; everybody's happy. Now if that isn't a real welcome home.



**Walla Walla, Wash.**  
A rich agricultural tradition continues; wheat, corn, apples and sweet onions are among the local crops.

a destination for wine connoisseurs, urban refugees and roving retirees. Nineteenth-century Italianate-style commercial buildings—originally built as bakeries, banks and brothels following the 1860 gold rush—are being revamped to house art galleries, bookstores and restaurants. For a place in rural Washington, Walla Walla has an unlikely air of sophistication, in large part because of the 70-odd wineries that have broken ground nearby in the last three decades.

Seattle, Portland or Boise. Locals say that's plenty close. City slickers, however, might have a tough time adjusting. The airport operates just four commercial flights, three to Seattle and one to Boise. And while there are three accredited hospitals and an increasing number of specialists, those who need complicated surgery must sometimes go elsewhere for care.

Financially speaking, the area has many draws. Washington has no income tax. And Walla Walla home prices, though up more than 50% over the past five years, are still affordable by big-city standards. Buyers can find new single-story houses with modern amenities, or historic houses within walking distance of downtown, from \$200,000. (Plus, those 61 and older with household incomes under \$35,000 may be eligible for property tax discounts.)

The large stock of inexpensive old houses was what brought Roy and Lianne Schellenberg here. After restoring a Victorian in Colorado, the couple moved to Walla Walla in search of a new project. Four years later, their colonial revival is nearly finished, but the couple have no plans to move. "We came to rescue an old house," says Roy, 66, a retired electrical engineer. "What we found was a wonderful community that we now call home."

**Walla Walla, Wash.**

**POPULATION**  
30,000  
**MAXIMUM INCOME TAX** 0%  
**SALES TAX** 8.3%  
**TYPICAL THREE-BEDROOM HOUSE** \$275,000  
**EST. PROPERTY TAX** \$3,500 to \$4,100



Beyond Main Street, three colleges are hubs of activity for retirees, who can enjoy classical music at Whitman, lectures at Walla Walla College or lifelong learning classes at Walla Walla Community College. "There's a high level of intellect here because of the schools," says Mary-Baird Carlsen, 78, a semiretired psychologist who moved to Walla Walla from Seattle in 1995 with her husband James, 79. "We've met so many interesting people."

Though Walla Walla is attracting its share of newcomers like the Carlsons, its out-of-the-way location has helped dampen growth. The city is 40 miles off the Interstate and a four-hour drive from

**S**troll through Walla Walla's historic downtown and you'll understand why this southeastern Washington outpost, once known only for its sweet onions and tautonymic name, has become

**NOTE:** Mileage in maps reflects approximate driving distance.

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**St. Simons Island, Ga.**  
The Upshaws, here at the marina near their house, enjoy the mild winters, social atmosphere and low taxes.

**St. Simons Island, Ga.**

**POPULATION**  
13,400  
**MAXIMUM INCOME TAX**  
6% on income over \$10,000  
**SALES TAX** 6%  
**TYPICAL THREE-BEDROOM HOUSE** \$360,000  
**EST. PROPERTY TAX** \$3,600



**F**ive miles off the coast of Brunswick, Ga., you'll find St. Simons Island. With its sandy beaches, lush marshes and moss-draped live oaks, the island has long been a destination for summer vacationers. Over the past few years it has also blossomed into a year-round retirement community. Having visited as a kid, Ron Upshaw, 63, recently returned with his wife Barbara, 56, looking to permanently escape the New Jersey winters. "We wanted a warmer climate," Ron says. "But we also didn't

want to give up the mix of culture we were used to."

They didn't have to. Here, the summer-like weather spans almost seven months. And the Upshaws can eat out at a number of fine dining establishments, shop several galleries for work by local artists or attend concerts on Lighthouse Lawn. An active newcomer's club helps transplants get assimilated by way of dinners, bridge games and golf outings, and neighborhood associations organize events too. ("It's very much a partying place," says Nancy Matthews, 59, who came here from Cincinnati last year.) And if city life beckons, Savannah and Jacksonville are each a little over an hour away.

Not surprisingly, people from across the country are flocking to the island. That means good things for health care, as lots of doctors want to be here. The Southeast Georgia Health System, which has an immediate-care center on the island and a hospital eight miles away, was named

hospital of the year in 2004 by the Georgia Alliance of Community Hospitals.

The influx means bad things for real estate prices, however. Home values jumped an average of 8% last year. Condos can be had for less than houses, a median \$246,000. But with limited land available, prices will continue to rise, says real estate agent Don Varnadoe. A homestead exemption helps ease the bite, since you can lock in property taxes the year you buy. Also, hazard insurance rates have remained stable, unlike in more hurricane-prone Florida, where they are skyrocketing.

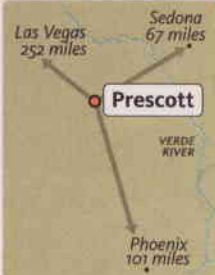
St. Simons has not been hit by a major hurricane since 1898, though that doesn't mean it couldn't happen again. And with only one road off the island—the Torras Causeway—residents must be ready to leave immediately once evacuation is ordered. For many, however, living in such an idyllic place is worth the risk. Says Barbara Upshaw: "The first time we crossed the causeway, I felt like I was home."

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**Prescott, Ariz.**

**POPULATION**  
40,400  
**MAXIMUM INCOME TAX**  
5% on income over \$150,000  
**SALES TAX** 8.3%  
**TYPICAL THREE-BEDROOM HOUSE** \$390,000  
**EST. PROPERTY TAX** \$3,700



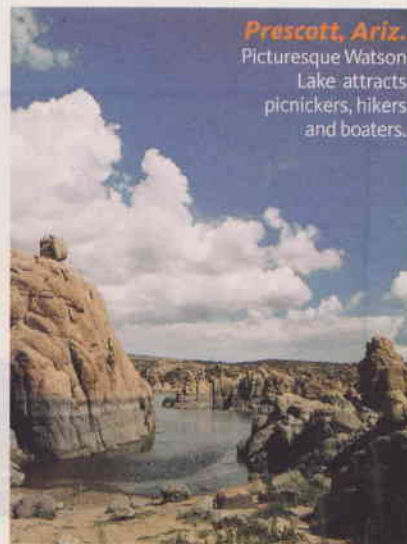
high is 90°F, the average January high is 52°, and the humidity is generally moderate. It's no wonder that Prescott attracts retirees who enjoy being outdoors, as the Douglases do. Larry has his choice of more than half a dozen golf courses, and the Prescott National Forest offers 450 miles of trails among acres of ponderosa pine.

Locals also enjoy attending outdoor events on the lawn of Courthouse Plaza; meeting at the saloon-style bars and restaurants that line historic Whiskey Row; and catching plays at the Prescott Fine Arts Association, housed in an old Catholic church. Other pluses for retirees: small colleges that offer lifelong learning classes, three hospitals (one a VA medical facility), a recently expanded library and a new adult center opening this fall.

The area's appeal is reflected in its housing prices, which are higher even than in booming Phoenix—the average three-bedroom, two-bath home is \$390,000. But property taxes are relatively low, and seniors enjoy some state

**T**here's something to be said for waking up to the sun every day," says 55-year-old Debbie Douglas. Coming from a cloudy Seattle suburb, she and her husband Larry, 58, made good weather a high priority when considering retirement destinations. After several back injuries, Debbie wanted a drier climate that would be easier on her joints; Larry wanted year-round access to golfing and hiking. They found all of the above in Prescott.

Located 100 miles north of Phoenix, at an elevation of 5,400 feet, Prescott splits the weather difference between snowier Flagstaff and the sweltering southern part of the state. Here the average July



**Prescott, Ariz.**  
Picturesque Watson Lake attracts picnickers, hikers and boaters.

breaks. Residents over 65 who meet certain income requirements, for instance, can freeze the current tax assessment on their home.

Another plus: You will probably save money on landscaping. Despite its mild climate, Prescott is still desert, which means you may not even have grass to mow. Says transplant Jane Bristol, the town's economic development director: "Back in Michigan, we were very much into whose lawn looked better. I know a number of people here who don't miss that aspect of their lives very much."

**Holland, Mich.**  
Traditional Dutch architecture connects its past and present.



**Holland, Mich.**

**POPULATION**  
34,600  
**MAXIMUM INCOME TAX**  
3.9% (flat)  
**SALES TAX** 6%  
**TYPICAL THREE-BEDROOM HOUSE** \$160,000  
**EST. PROPERTY TAX** \$2,700



**S**ettled by Dutch immigrants in the mid-1800s, Holland takes its heritage seriously. The downtown candy shop imports salty licorice from the Netherlands, Walgreens sells clogs, and the Tulip Time festival is the biggest event of the year. But retirees needn't know their Edam from their Gouda to appreciate all the area has to offer.

Situated on the shores of an inland lake that connects to Lake Michigan,

Vito Palmisano/Getty Images (bottom)

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Holland is full of summer fun for beachgoers and sailing aficionados. Granted, it isn't warm here in the winter—the average January high is 30°—but there is plenty to do indoors. Those who are seeking community can find it at one of the area's 175 churches or at Evergreen Commons, a 4,000-member senior center that sponsors everything from bridge clubs to computer classes.

Downtown, a five-block stretch along Eighth Street, is a thriving area of independent shops and restaurants. (Foot traffic in this strip does slow in the frigid winter months, but at least it doesn't slip: The sidewalks and streets are heated to melt snow.) Close by, you'll also find big-box stores and a small private hospital. And with Grand Rapids a mere 25 minutes away, you're not far from more comprehensive medical facilities and an international airport.

Amenities aside, a move here made strict financial sense to Bruce and Linda Adair, formerly of Colorado Springs. After investigating year-round boating communities in Florida, the avid sailors found Holland a much better buy. Though the property tax rate is high (about \$16 per \$1,000 of market value), housing prices remain fairly low (\$160,000 for the typical three-bedroom house). And the couple are eligible for generous state income tax relief, which exempts up to \$38,000 of pension income per person.

The Adairs continue to be pleasantly surprised by the town's other advantages. Though he's just 59, Bruce discovered something he liked at the senior center: an expansive wood shop and talented octogenarians willing to teach. "People here have been very friendly," he says. "In that way, it's a true small town."



**Williamsburg, Va.**  
Merchants Square offers contemporary shops and cafés in an 18th-century setting.

**Williamsburg, Va.**

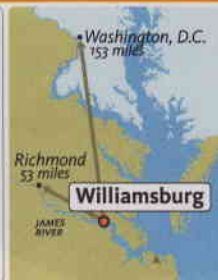
**POPULATION**  
11,800

**MAXIMUM INCOME TAX**  
5.75% on income over \$17,000

**SALES TAX** 5%

**TYPICAL THREE-BEDROOM HOME**  
\$305,100

**EST. PROPERTY TAX** \$1,600



**W**alking through the center of Williamsburg, Va. is like living history—literally. Colonial Williamsburg, a functioning restoration of an 18th-century British colonial capital, makes up the heart of the town. And of its roughly 900 volunteers, approximately 85% are retirees. Besides being a revolutionary way to spend one's golden years, "it's a great way to make friends," says Bettie Olsen, 69, who helps out as a tour guide.

Of course, you've got to like—or at least tolerate—the heritage shtick to make this place home. Here restaurant servers wear breeches and petticoats; the likes of George and Martha Washington wander through the Historic Area; and

passers-by routinely hear fife and drum music. But Williamsburg does have many modern-day comforts. There are three airports and seven hospitals within an hour's drive. You can golf almost year round at one of the 15 courses; you can take classes at the College of William and Mary for \$75 a semester; or you can shop till you drop at one of the multitude of local malls.

There's quite a bit of development under way in the once sleepy city and its surrounding counties; critics argue that it's becoming too built up. The growth is in part because more retirees are moving in—15% of residents are 60 or older. Housing prices have risen as a result. Tourism revenue helps keep property taxes very low in Williamsburg proper, although the taxes on a typical three-bedroom home can go as high as \$2,400 just outside the city limits.

The full-timers we met, who say there's a strong sense of community among locals, don't seem bothered by the constant camera-toting visitors. "We enjoy them," says Tom Bourke, 59, who moved here from New Jersey with his wife Dolores, 58. "It's more of a melting pot than New York." Then too, Williamsburg's attractions and location—halfway down the eastern seaboard and an hour from the ocean—mean the couple never lack for houseguests. Says Dolores: "We're a perfect meeting place." \$

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