

Retiring in Expensive Areas: A Financial Roadmap for Success

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Dreaming of retirement in a high-cost state? This guide provides strategies for maximizing your retirement income, minimizing taxes and building a secure financial future.

By Chad Willardson

Since I started Pacific Capital back in 2011, one of the biggest concerns we hear from people approaching retirement is “Should I retire and stay here or retire and relocate? Where do I want to live in my next phase of life?” Especially if “here” is a state with sky-high taxes, soaring housing costs—or both (I’m in Southern California, so this is a common topic here). It’s a fair question. After all, the [headlines](#) love to highlight which states rank poorly for retirees—whether it’s attributed to steep property taxes, insane health care costs or some combination of the two. It’s enough to make anyone consider packing up and leaving.

If you play your cards right, you can achieve financial freedom no matter where you plant your flag. Sure, living in a pricier area forces you to be more strategic about your finances. But from what I’ve seen, that extra layer of intention and planning is often what separates those who simply live comfortably from those who truly thrive in their retirement years. Below are some tactics to help you protect your assets, optimize tax advantages and build a legacy that lasts, even in the so-called “worst” retirement states.

Research Your Chosen High-Risk Retirement State

Every state plays by its own rules. Some tax your Social Security benefits; others don’t touch them at all. Some have punishing property taxes; others are far more lenient. If you’re unaware of how your state handles income, capital gains and estate taxes, you could be blindsided by policies that quietly erode your long-term financial security. My advice to you is to take the time to learn about your selected state, through and through.

Depending on the policies your state operates by, determine which type of retirement account works best for you. In states that seem to want a slice of every dollar you make, a Roth IRA can be a great option. You may not get an upfront tax deduction, but your money grows tax-free, and qualified withdrawals are also tax-free. Many of my clients love that benefit, especially if they're anticipating a long, healthy retirement where their portfolio has ample time to compound.

Health care also gets pricier with age, and some states are notorious for above-average medical costs. If you're on a high-deductible health plan, I suggest you open a health savings account (HSA). You get tax-free contributions, tax-free growth and tax-free withdrawals for qualified expenses. Combine that with wise investing inside the HSA, and you've got a potent tool to cover potential escalating medical bills without adding to your tax (or savings) burden.

Avoid These Common Pitfalls to Protect Your Wealth in Retirement

Heading into retirement with high-interest debt is like trying to fly a private jet with the landing gear stuck down—you're burning fuel for no good reason. Every dollar you throw at interest is a dollar that's not building your wealth, supporting your favorite cause or boosting your family legacy. Why chain yourself to a monthly payment plan that only benefits the credit card companies?

I always tell my clients that paying off high-interest consumer debt is one of the smartest "investments" they can make (better to never get into this kind of debt in the first place)—no fancy market timing needed. Knock out those balances with a debt avalanche approach by focusing on the highest-interest ones first. Imagine how much more cash flow you'll free up every month once you're not paying all that interest. That extra cash can start working for you in real investments, or maybe it funds that dream trip with your family that you've always wanted.

Another tall tale is that life suddenly goes on cruise control the moment you retire. Guess what—it doesn't. Properties require maintenance, vehicles still need repairs and family emergencies often call for immediate action. I've seen retirees suddenly faced with major estate repairs or last-minute international travel to support loved ones.

The best safeguard against unexpected financial disruptions is a well-funded emergency reserve. Keeping liquid assets equivalent to at least six months of discretionary expenses ensures you can manage unforeseen costs without liquidating investments at the wrong time or unnecessarily leveraging credit. This simple yet powerful financial buffer can be

the difference between a retirement dictated by circumstances and one guided by choice.

Build a Robust Retirement Income Plan

No matter where you hang your hat—whether in Manhattan or Montana—your success in retirement hinges far more on how you manage your finances than on your ZIP code. Many assume their net worth will magically float them through retirement without a detailed plan when [more than half](#) of Americans haven't even spelled out how they plan to pay the bills once that steady paycheck stops.

A sturdy retirement income plan doesn't need to be that complicated—it starts by listing out every possible revenue stream you have. Sure, Social Security might not be your main source, but don't dismiss it, timing still matters. Waiting until full retirement age or age 70 can boost your monthly payout, and that difference adds up over two or three decades.

Next, think about layering pensions, annuities and investment returns. Diversifying means you're shielding your portfolio when the market has a bad day (or a bad year). And let's not forget taxes. Smart withdrawal strategies help avoid unnecessary taxes and keep assets working efficiently. A little planning goes a long way in making sure your money lasts as long as you need it.

Insights from the Top 1% Retirees

Whenever our clients glide into retirement without so much as a passing worry about money, we see a single thread that ties them all together: consistent habits. They aren't awake at 2 a.m., praying the market doesn't crash. Why? Because they laid the groundwork years ago. That's how they climbed to the top, and it's exactly how they stay there.

It's neither magic nor luck. It's deciding who's in the driver's seat—your money or you. Once you grab that wheel, you'll wonder why you ever let your finances steer the car in the first place. Successful retirees spread their bets. They own a balanced mix of stocks, bonds, real estate and sometimes a handful of alternative plays. They keep the long view, and when markets wobble, they don't panic. Instead, they rebalance or even snap up quality assets at discount prices.

The best part is they don't have to tear their whole plan apart at the first sign of trouble. Usually, they pop the hood at least once a year and make minor tweaks so the entire engine keeps running smoothly. Staying informed and staying ready to pivot beats finding

out seven years later that your portfolio's been drifting off track.

Smart Planning to Overcome High-Cost Living

Don't buy into the myth that a high-cost state dooms you to a tough retirement or that you've gotta move into the middle of nowhere or you'll run out of money. What matters most isn't your ZIP code, it's how well you plan ahead. With the right strategy, you can prioritize quality of life, stay close to family, and enjoy the lifestyle you love without financial stress. Consider my own interests, for instance. I have a deep affinity for the ocean, and sailing is not just a hobby but a vital part of my life. This passion highlights the importance of aligning your retirement environment with your interests to enhance your quality of life.

Retirement should be about living on your terms, not letting tax rates or housing costs dictate your future. Build a solid financial foundation now, and you'll have the freedom to thrive—wherever you choose to call home.

About the author: Chad Willardson

Chad Willardson is the founder of [Pacific Capital](#) and [Platinum Elevated](#).
