From Tax Advantages to Health Care: Exploring the Best States for Retirees

Financial Benefits of Choosing a Life Plan Community in Delaware, Pennsylvania, and Maryland

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Introduction

Life Plan Communities, also known as continuing care retirement communities (CCRCs), are an increasingly popular option for older adults. They offer peace of mind about the future for a variety of reasons, including the financial stability that makes budgeting for retirement easier.

Presbyterian Senior Living (PSL) has Life Plan Communities for seniors in Delaware, Pennsylvania, and Maryland. While every PSL location provides numerous benefits associated with community life, each of these states offers distinct financial advantages for seniors.

Inside this Guide

While not intended as tax advice, this guide was created to help you make an informed decision about where to retire. In it, we share potential tax deductions that residents of CCRCs are often entitled to take. Then we look at how financially friendly each state—Delaware, Pennsylvania, and Maryland—is for retirees.

We also outline key financial details, such as how the state taxes retirement income, whether residents may incur any state-specific taxes, and how the state ranks with regard to cost of living. In addition, we highlight other factors that are important for retirees to know when budgeting for the future.

Because the cost and quality of health care can greatly impact retirement funds, we've included insight on that, too. This guide explores how the three states compare in terms of quality, access, and overall health care satisfaction.

Tax Benefits of a Life Plan Community

When you are exploring retirement living, you will likely discover that one of your options is a life plan community. Also known as a continuing care retirement community, or CCRC, it offers multiple levels of senior living on the same campus, from independent and assisted living to memory care, skilled nursing, and rehabilitation. CCRCs are a popular choice because of the peace of mind they offer to residents.

While seniors might initially be attracted to the lifestyle and care, it's also important to know that this move may have financial advantages. A few items you'll want to discuss with the community representative, as well as your attorney or tax advisor, include:

a. **Tax-deductible portion of entrance fees:** Potential tax implications of entrance fees: In some communities, a portion of these upfront fees may be designated for future health care needs, with new residents essentially prepaying for potential medical expenses. Depending on your contract type and how the fees are structured, you may be eligible for a one-time tax deduction if any portion is considered medical in nature. If the community's contract type allows for this, supporting documentation can be provided. Consult with a qualified tax advisor to determine if your specific situation qualifies for any deductions.

b. **Deductions for monthly fees and levels-of-care expenses:** Like the entrance fee, some of a life plan community's monthly fees might also be considered medical costs. If so, this is another area where you might qualify for a tax break. Your tax advisor can confirm this, but as a general rule, if you spend more than 7.5% of your adjusted gross income on medical care, you might be entitled to take this deduction.

c. **Annual community letter regarding deductions:** It's a fairly common practice for CCRC financial teams to send a letter to residents that outlines how much of their fees may provide them with tax advantages. In most cases, this is published prior to the start of the tax season every year.

d. **Other deductible expenses:** Finally, there are two IRS publications you can review to learn more about other expenses you may be able to deduct. One is Publication 502, which covers medical and dental expenses, and the other is Publication 503, which explains expenses for child and dependent care (including for adults).

Because this area of tax law is so complicated, it's usually best to work with an experienced elder care tax advisor or attorney. Not only will it help ensure you take all the deductions you are entitled to, but it can also keep you from making costly mistakes that might lead to penalties.

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Financial Advantages by State

In addition to the tax advantages that residents of a life plan community might be eligible for, there are state-level reasons why making a move to a PSL community in Delaware, Pennsylvania, or Maryland could make good financial sense.

a. State of Delaware

This small coastal state has much to offer people of all ages. Nicknamed the First State, it has beaches, historical centers, lighthouses, museums, and more to explore.

With people aged 65 and older making up an estimated 21% of the population, retirees play an important role in the state's stability. And the financial benefits they enjoy make it easy to understand the attraction:

i. **Social Security:** Social Security and benefits for retired railroad employees are not taxed in Delaware.

ii. **Pensions, IRAs, 401(k)s:** If you are considering a life plan community in Delaware, be sure to talk with your financial advisor about the pension exclusion that residents 60 and older might be entitled to. It may be as much as $12,500.

iii. **State taxes:** Other advantages for residents of Delaware are that there are no state or local sales taxes, and state income taxes are low. State income tax rates range from 2.20% to 6.60%.

iv. **Cost of living: A**s you might expect of a desirable state with easy access to major cities like Philadelphia, DC, and Baltimore, the cost of living is slightly higher than the national average. BestPlaces ranks the state's cost of living score at 103.5, which is 3.5% higher than the national rate.

v. **Other considerations:** One final item that may be of interest is how well the state ranks on many lists of best states to retire in. In fact, Delaware was awarded the top spot in Bankrate's 2024 Best and Worst States to Retire Study.

b. **Commonwealth of Pennsylvania**
PSL Life Plan Communities in the Keystone State are another popular choice. The state attracts people from a variety of backgrounds and with a wide range of interests.

City dwellers will appreciate being near large metropolitan cities like Philadelphia and Pittsburgh. Nature lovers and history buffs will find Pennsylvania to be an attractive state to enjoy in retirement, as it is home to destinations such as Gettysburg National Military Park, Independence Hall, Longwood Gardens, and the Philadelphia Zoo.

These are a few more reasons why you might want to explore Life Plan Communities in this state:

i. **Social Security:** Should you choose to retire in the Commonwealth, you'll pay no taxes on your Social Security benefits. Benefits for railroad retirees are not taxed, either.

ii. **Pensions, IRAs, 401(k)s:** One more reason why Pennsylvania is often cited as a top 10 state in which to retire is that there are no taxes on retirement income.

iii. **State taxes:** Pennsylvania has a flat state income tax rate of 3.07%. For many retirees, that is an attractive number. But be aware of a potential downside: Municipalities and school districts can impose Earned Income Tax (EIT) and Local Services Tax (LST) on residents. Be sure to check any city or town you are considering to see if these will affect you.

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iv. **Cost of living:** Overall, Pennsylvania has a lower cost of living score at 94.6. This is 5.4% lower than the national average.

v. **Other considerations:** Lastly, be aware that in 2024, Pennsylvania received the honor of being ranked by U.S. News & World Report as the best state to retire in.

c. State of Maryland

Another small coastal state known for its beauty and places to explore in retirement is Maryland. It's often a popular choice because of its access to the Chesapeake Bay and the Atlantic Ocean, as well as it's close proximity to our nation's capital, Washington, DC. Seniors considering a life plan community in this Mid-Atlantic state will be interested in this financial information:

i. **Social Security:** Like Delaware and Pennsylvania, Maryland does not tax Social Security or railroad retiree benefits.

ii. **Pensions, IRAs, 401(k)s:** This is another state that offers a pension exclusion for people aged 65 and older, as well as people who are totally disabled. Those who are eligible might be entitled to as much as $39,500 per person.

iii. **State taxes:** Maryland is considered a moderately tax-friendly state. The state has a graduated state individual income tax, with rates ranging from 2% to 5.75%. It also has a 6% state tax, but no local taxes.

iv. **Cost of living:** When it comes to the cost of living, BestPlaces scores Maryland on the higher side. It is rated at 111.8, which is 11.8% higher than the national average.

v. **Other considerations:** If you bought long-term care insurance, talk with your financial advisor about whether you are entitled to a onetime tax deduction in the state of Maryland.

Health Care Considerations by State

It's an unfortunate reality that as we grow older, we experience more medical issues. Some are short-term challenges, such as a joint replacement surgery or a serious bout with the flu that requires a hospital stay. Other problems can be chronic and require long-term support. These are both reasons why older adults utilize health care services more than other age groups.

An important factor in selecting your retirement location is easy access to quality medical centers and physicians. Here's a quick look at how the U.S. News & World Report survey of health care ranked Delaware, Pennsylvania, and Maryland for quality, access, and overall satisfaction.

a. **State scores for health care quality:** Fortunately, all three of these states earn high marks for the quality of health care available to residents. Delaware comes in at #6, followed by Pennsylvania at #9 and Maryland at #12.

b. **State rank for health care access:** Older adults who opt to retire at a PSL life plan community in any of these states can feel confident in their ability to access health care. Maryland comes in at the #7 spot, with Pennsylvania close behind in the #8 spot, followed by Delaware at #10.

c. **Overall health care satisfaction:** Finally, in the overall health care rankings for each of these popular retirement destinations, Maryland leads the way with its #7 ranking. Delaware comes in at #9 and Pennsylvania at #11.

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Conclusion

As you are evaluating your options and trying to make an informed decision, we hope you feel confident that PSL Life Plan Communities offer many advantages. From comprehensive care options to location, programs, dining, and transportation, the benefits are numerous.

If you haven't done so already, we encourage you to schedule a visit to a PSL community in your desired retirement destination. With 11 Life Plan Communities throughout the Mid-Atlantic region, you'll likely find a community that best meets your needs and interests.

Schedule a Visit to a PSL Community

When you make a move to a senior living community, you'll find the opportunities to expand and maintain your circle of friends are plentiful. We invite you to call a Presbyterian Senior Living community near you to learn more and schedule a personal visit.

View Our Community List

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