

LPL RESEARCH RETIREMENT ENVIRONMENT INDEX

STATE-BY-STATE HOLISTIC VIEW INTO PRE-RETIREE LANDSCAPE

OVERVIEW

The LPL Research Retirement Environment Index is a holistic ranking of the attractiveness of each U.S. state as a retirement destination. This index is unique in that it looks specifically at the 45- to 64-year-old cohort (pre-retirees) and collectively assesses strengths and weaknesses of pre-retiree desirability on a state level, rather than city or regional level. The 45- to 64-year-old cohort is the largest subset of the Baby Boomer generation. States are evaluated on six key factors, each with its own supporting metrics, to evaluate overall desirability for retirement.

THE RETIREMENT ENVIRONMENT INDEX SEEKS TO DISCOVER THE COMPLICATED ANSWER TO THE SIMPLE QUESTION:

“WHICH STATE IS MOST DESIRABLE FOR PRE-RETIREEES?”

The Retirement Environment Index seeks to discover the complicated answer to the simple question: “Which state is most desirable for pre-retirees?” No state scored well in every category, and, conversely, no state did poorly in every category. Each pre-retiree’s decision is based on individual factors, and the category grades are designed to illuminate the different ways that “desirable” can be defined. A pre-retiree in a very healthy financial situation may put less weight on the financial category, as monetary considerations may be less meaningful than community and/or quality of life factors, for example. For others, the situation may be reversed.

The Retirement Environment Index is designed to grade and rank states on their preparedness and desirability for the pre-retiree cohort. For some individuals, where to reside is already decided, but the index can still help spark conversations among residents and state officials to focus on areas that need improvement while continuing to support aspects of strength.

INDEX CONSTRUCTION METHODOLOGY

For each subcategory, each state was assigned a score based on the state's standing relative to the national average and the distribution of the state-level data. The subcategory scores were then weighted to reflect relative importance and aggregated to a final grade for each category. The broader six category grades were also weighted, resulting in an overall grade for each state. The weighting system was designed such that a very negative or positive score in one particular subcategory would have a large influence on the category grade, but a more limited influence on the overall grade.

Letter grades for categories and subcategories are based on each state's percentile rankings for both subcategory and category grades:

Percentile Range	Grade	Percentage of States
90–100%	A	10%
70–90%	B	20%
30–70%	C	40%
10–30%	D	20%
0–10%	F	10%

INDEX COMPOSITION

The index is comprised of six broad categories that affect retiree desirability. Within each category, four to six diverse subcategories provide depth and balance.

Financial: A state's fiscal health and the financial health of a state's pre-retirees are likely to directly impact individuals' ability to enjoy a fulfilling retirement. Financial factors rank high across all surveys of pre-retiree preparedness.

Healthcare: Access to, and cost of, healthcare are key determinants of retirement satisfaction. Along with financial factors, healthcare comprises a top concern.

Housing: The availability of affordable housing, and the presence of nursing care facilities, are both of vital importance and can be a major expense to consider during retirement.

Community Quality of Life: Social factors, which take into account crime rates, traffic patterns, and weather conditions, are key determinants of retiree happiness and satisfaction.

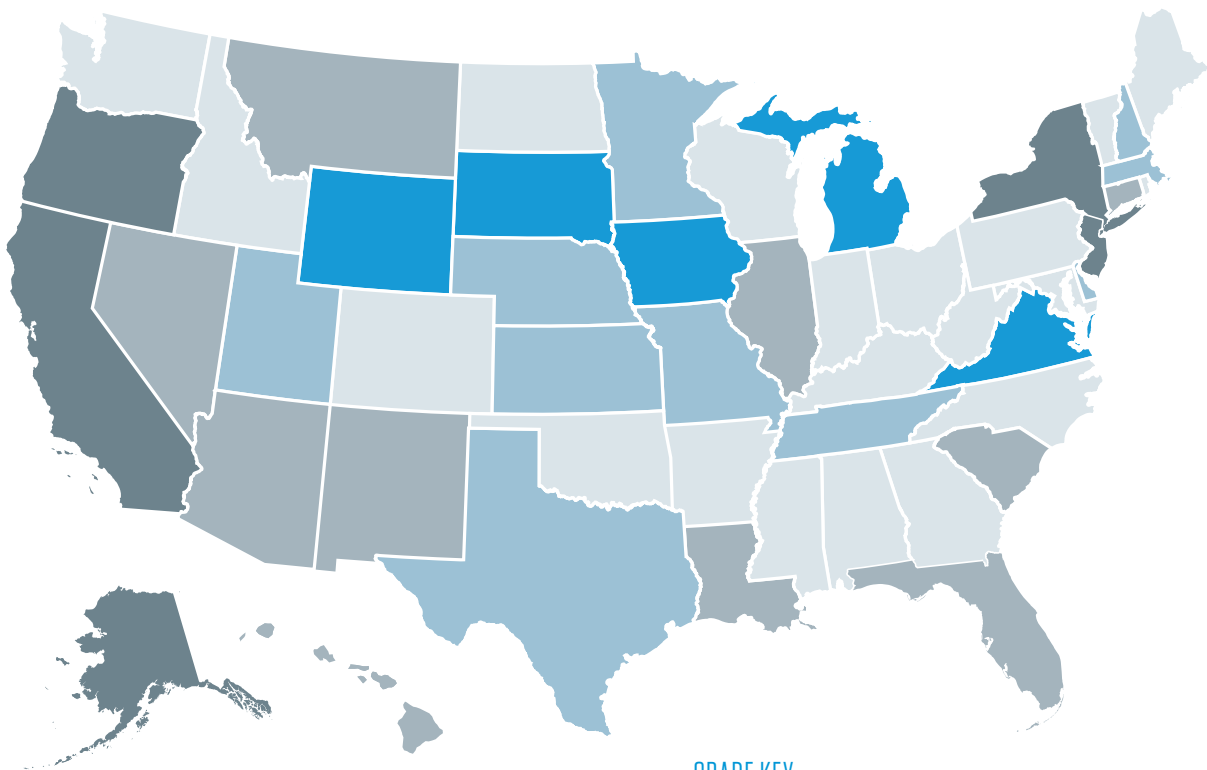
Employment and Education: The 20 years before retirement can generate the highest rate of savings if fully employed. Employment may offer benefits beyond income, such as 401Ks, pensions, and health insurance.

Wellness: Personal habits and tendencies impact health during the last years of employment and into retirement. Poor habits are associated with premature death, poor quality of life, and increased healthcare costs, in addition to strains on state-provided resources.

2016 Rank	2015 Rank	Overall Grade	State	Financial (35%)	Healthcare (20%)	Housing (15%)	Community Quality of Life (10%)	Employment & Education (10%)	Wellness (10%)
1	1	A	Virginia	A	C	C	A	B	C
2	2	A	South Dakota	A	C	B	C	C	C
3	4	A	Wyoming	A	D	C	A	C	C
4	19	A	Michigan	B	B	B	C	C	C
5	7	A	Iowa	B	C	B	B	B	C
6	10	B	Tennessee	A	C	B	C	D	D
7	3	B	Minnesota	B	C	C	B	B	B
8	9	B	Nebraska	B	C	B	B	C	C
9	6	B	Delaware	B	B	C	C	C	C
10	8	B	Missouri	B	C	A	C	C	D
11	21	B	Texas	A	D	C	C	C	D
12	14	B	Kansas	C	C	A	C	B	C
13	12	B	New Hampshire	C	C	C	B	A	B
14	18	B	Massachusetts	D	A	D	B	A	A
15	11	B	Utah	B	F	C	B	C	A
16	15	C	District of Columbia	C	A	F	F	A	B
17	20	C	Pennsylvania	C	B	C	C	C	C
18	22	C	North Dakota	C	C	C	B	B	C
19	30	C	Ohio	C	B	B	D	C	D
20	26	C	Vermont	D	B	D	B	B	A
21	13	C	Idaho	B	F	C	A	D	C
22	31	C	Indiana	C	C	B	C	C	D
23	29	C	Maine	D	A	C	C	C	C
24	17	C	Washington	B	D	D	D	C	B
25	23	C	Alabama	C	C	A	C	D	F
26	5	C	Wisconsin	C	C	C	C	C	C
27	16	C	Georgia	B	D	C	C	D	D
28	39	C	West Virginia	D	A	B	C	D	F
29	32	C	Maryland	D	B	D	C	A	C
30	40	C	Oklahoma	C	D	B	C	C	D
31	27	C	Colorado	C	F	D	B	B	A
32	47	C	Arkansas	C	C	A	D	F	F
33	38	C	Mississippi	C	C	A	D	F	F
34	33	C	North Carolina	C	C	C	C	D	D
35	28	C	Kentucky	D	D	B	C	D	D
36	25	C	Rhode Island	D	B	D	C	B	C
37	35	D	Montana	C	D	C	D	D	B
38	37	D	Florida	C	C	D	D	F	B
39	24	D	Illinois	D	C	C	C	C	C
40	34	D	Connecticut	F	B	D	B	B	B
41	44	D	Hawaii	F	C	F	A	A	A
42	36	D	Louisiana	C	C	C	D	F	F
43	42	D	South Carolina	C	D	C	D	D	D
44	46	D	Nevada	C	F	C	D	C	C
45	43	D	Arizona	C	F	C	C	D	C
46	49	D	New Mexico	C	D	C	F	F	C
47	50	F	New Jersey	F	B	D	F	B	B
48	41	F	Oregon	D	D	D	D	C	B
49	51	F	New York	F	A	F	F	C	C
50	45	F	Alaska	D	C	F	F	C	C
51	48	F	California	F	D	F	A	C	B

Source: LPL Research 03/15/16

U.S. States by Overall Retirement Environment Index Grade



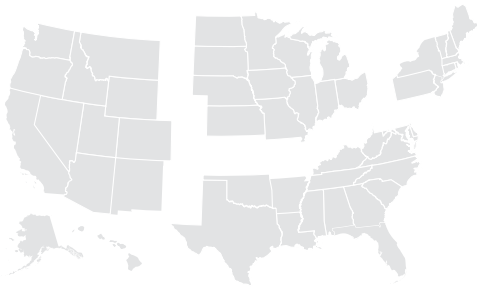
GRADE KEY

A	B	C	D	F
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Rank	State	Rank	State	Rank	State	Rank	State
1	Virginia	14	Massachusetts	27	Georgia	40	Connecticut
2	South Dakota	15	Utah	28	West Virginia	41	Hawaii
3	Wyoming	16	District of Columbia	29	Maryland	42	Louisiana
4	Michigan	17	Pennsylvania	30	Oklahoma	43	South Carolina
5	Iowa	18	North Dakota	31	Colorado	44	Nevada
6	Tennessee	19	Ohio	32	Arkansas	45	Arizona
7	Minnesota	20	Vermont	33	Mississippi	46	New Mexico
8	Nebraska	21	Idaho	34	North Carolina	47	New Jersey
9	Delaware	22	Indiana	35	Kentucky	48	Oregon
10	Missouri	23	Maine	36	Rhode Island	49	New York
11	Texas	24	Washington	37	Montana	50	Alaska
12	Kansas	25	Alabama	38	Florida	51	California
13	New Hampshire	26	Wisconsin	39	Illinois		

Source: LPL Research 03/15/16

REGIONAL TRENDS



The retirement environment in each state is unique, and some states differ vastly from neighboring states. However, there are regional trends that are worth highlighting. For instance, states in the Midwest had an average ranking of 15th, yet states in the West had an average ranking of 35th, with the South and Northeast falling somewhere in between. Within each category, there are also distinct regional trends among the four major U.S. census regions (Northeast, South, Midwest, and West):

Financial: The Midwest is the clear winner, with metrics in-line with national averages except for cost of living, which is well below the national average, and just below that of the South. Unlike the South, however, the Midwest's household median income is above the national average.

Healthcare: The Northeast is the only standout, doing well in most subcategories that demonstrate excellent access to, and cost of, quality care.

Housing: The Midwest leads, followed closely by the South, based primarily on broad housing affordability.

Community Quality of Life: The ratings here are fairly consistent, but the South is the clear laggard. A higher percentage of the population in poverty and higher rates of violent crime dragged down scores of southern states.

Employment and Education: The Northeast stands out, followed by the Midwest. The Northeast's advantage is driven by higher college degree attainment rates and higher employment rates.

Wellness: The Northeast and the West lead in all subcategories.

THE FLORIDA FACTOR

Florida is often synonymous with retirement and viewed as a top landing spot for retirees and pre-retirees alike. Demographic data support the notion that Florida is a popular choice for retirees, but its advantage may be overstated and perhaps it is not the retirement mecca it is portrayed to be.

Florida tops the list as a residence for retirees, as indicated by the percentage of a state's population over the age of 65; however, the margin is small [Figure 1]. Compared to the national average of 13.5%, Florida's 4.2% advantage is modest, even if a leader. Maine surprisingly comes in second and contradicts the widely held notion that retirement location is all about weather. In fact, though the top five are all above the national average of 13.5%, Florida is the only state in the top five with a warm climate.

The percentage of population over the age of 65 may not reveal the whole story, however, as more individuals choose to work beyond the age of 65. The percentage of those 65 years and older that are still working can help clarify just how much of a state's 65-plus age group is truly retired [Figure 2]. The lower the percentage, the greater the number of 65-plus residents are in retirement. While Florida ranks near the top of states with the 65-plus age group in retirement, it is not the leader.

The "Florida Factor" is one of the misconceptions the LPL Research Retirement Environment Index seeks to dispel. Although still a popular choice among retirees, Florida is not the "one and only destination" that it is perceived to be. Our data seem to support that other factors are important to retirees and help explain why Florida sits 39th in our overall Retirement Environment. Low grades in housing, community quality of life, and employment and education (F, D, and D, respectively) pulled Florida's overall score down.

1 FLORIDA RANKS 1ST IN POPULATION PERCENTAGE OVER AGE 65, BUT BY A SMALL MARGIN

State	65+ Age Group as % of Population
Florida	17.7%
Maine	17.0%
West Virginia	16.8%
Pennsylvania	16.0%
Vermont	15.7%

Source: LPL Research 03/15/16

2 DESPITE THE OLDEST POPULATION, FLORIDA MAY NOT LEAD IN PERCENTAGE OF RETIREES

State	65+ % in Labor Force
West Virginia	12.4%
Michigan	13.1%
Arizona	13.9%
Kentucky	14.4%
Florida	14.5%

Source: LPL Research 03/15/16

WISCONSIN

Previous Ranking 5, Now 26

Wisconsin's fall, from an overall grade of A to C, is not as bad as it appears on the surface. The state had three low B grades fall to Cs in 2016: financial, healthcare, and community quality of life. The declines were marginal, but enough to drop the state to Cs in each category. For the financial category, cost of living rose more than the national average. In healthcare, Wisconsin had a decrease in the number of doctors and dentists per capita; and in community quality of life, the percentage of people living in poverty rose slightly more than the national average. This is a good example of how small changes can have an outsized effect on rankings, as states can be close to one another in some of the categories measured.

MICHIGAN

Previous Ranking 19, Now 4

Improvement in the financial grade, to B from C, benefited Michigan, lifting the overall grade to A, from C. Within the financial category, median income improved greater than the national average, cost of living declined, and the tax burden fell compared to an average increase in the tax burden across all states.

CALIFORNIA

Previous Ranking 48, Now 51

California landed last in our rankings. Earning a grade of F in the financial category, California was hampered by an elevated tax burden (fifth highest in the nation) and an extremely high cost of living. California also fared poorly in healthcare, earning a grade of D. Healthcare expenditures per capita are below national averages and California ranks 41 in the percentage of pre-retirees covered by health insurance.

STATE HIGHLIGHTS

VIRGINIA

Still #1

Virginia retained its top spot in the Retirement Environment Index. One of just 12 states with no grade lower than a C, Virginia was a standout in the financial category, with a high median income relative to the national average, a low cost of living, healthy private sector retirement assets, and a below-average tax burden. Virginia also received an A in community quality of life, boasting very low violent crime figures, good weather, and relatively low percentages of poverty and homes in foreclosure.

ILLINOIS

Previous Ranking 24, Now 39

The budgetary woes in Illinois knocked the state's financial category rating down one notch to D from C. The average local and state tax burden rose nearly 1%, median income declined, and the cost of living rose. These three factors conspired to push down the financial grade, hurting its overall ranking, moving to a C, from B, overall.

For comparison purposes, click [here](#) to view the 2015 Retirement Environment Index.

IMPORTANT DISCLOSURES

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. To determine which investment(s) may be appropriate for you, consult your financial advisor prior to investing.

METHODOLOGY

To complete the Index, LPL Research pulled public data sources for each of the 50 states and the District of Columbia. The six key categories are weighted to reflect the relative importance of each for pre-retirees as they approach retirement age: financial 35%, healthcare 20%, housing 15%, community quality of life 10%, employment and education 10%, wellness 10%, and each category was then weighted by several subcategories.

Financial category is measured by the selected criteria: cost of living, median household income, private sector retirement assets, state pension funds relative to pension obligations, and tax burden.

Healthcare category is measured by the selected criteria: home health aide costs, discharges from ambulatory care-sensitive conditions per 1,000 Medicare enrollees, healthcare expenditures, percentage of 45-64 year-olds covered by health insurance, percentage of persons 50+ who received colon cancer screening, and physicians and dentists per 100,000 people. (The previous iteration of the Retirement Environment Index included home health aide costs in the financial category.

Housing category is measured by the selected criteria: home ownership rate, median home price list value, median rent list price, and nursing home costs.

Community quality of life category is measured by the selected criteria: 30-year average number of heating days, percentage of mortgaged homes in foreclosure, percentage of persons with commute longer than 60 minutes, percentage of population living in poverty, and violent and property crime per 100,000 people.

Employment and education category is measured by the selected criteria: percentage of 45-64 year-olds with college degree, percentage of employed 45-64 year-olds, percentage of employees with employer provided health insurance, and percentage of the private sector offering health insurance.

Wellness category is measured by the selected criteria: estimated remaining life expectancy for persons aged 65, percentage of adults age 18+ diagnosed with diabetes, percentage of adults 18+ who are physically active, percentage of adults 18+ who currently smoke cigarettes, and percentage of adults age 18+ with obesity.

DATA AVAILABILITY

The following subcategory data points were not updated, as there was no more up-to-date data than that used in the previous iteration of the Retirement Environment Index: home health aide costs, private sector retirement assets, state pension funds relative to pension obligations, healthcare expenditures, discharges from ambulatory care-sensitive conditions per 1,000 Medicare enrollees, percentage of persons 50+ who received colon cancer screening, and physicians and dentists per 100,000 people, nursing home costs, estimated remaining life expectancy for persons aged 65, percentage of adults 18+ who are physically active, % Employees w/ Employer Provided Health Insurance, percentage of mortgaged homes in foreclosure and 30-year average number of heating days.

SOURCES

Financial data from C2ER, Census Bureau, Census and Tax Foundation, and Department of Labor (DOL) via BrightScope, Inc.

Healthcare data from American Dental Association (ADA), American Association of Medical Colleges (AAMC), Census Bureau American Community Survey (ACS), Center for Disease Control (CDC) Behavioral Risk Factor Surveillance System (BRFSS), Centers for Medicare & Medicaid Services (CMS), Dartmouth Atlas, and Kaiser Family Foundation.

Housing data from Census Bureau, Metlife Mature Market Institute, and Zillow via Haver.

Community Quality of Life data from Census Bureau, Census Bureau American Community Survey (ACS), CoreLogic, FBI, National Oceanic and Atmospheric Administration (NOAA), and RealtyTrac.

Employment and education data from Agency for Healthcare Research and Quality (AHRQ) Medical Expenditure Survey, Census Bureau, Census Bureau American Community Survey (ACS), and Kaiser Family Foundation.

Wellness data from Center for Disease Control (CDC), and Center for Disease Control (CDC) Behavioral Risk Factor Surveillance System (BRFSS)

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