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A Golden Opportunity II: How Maine Can Enhance the Retirement Industry, 1999

Maine State Planning Office

A Golden Opportunity II

How Maine Can Enhance

The Retirement Industry

Maine State Planning Office
December 1999

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I. EXECUTIVE SUMMARY

A few years ago, General Motors ran a very peppy TV ad that proclaimed - “This is not your father’s Oldsmobile. This is the new generation of Olds!”. The last portion of this jingle accurately describes the huge transformation that is occurring in our senior population. As the post World War II baby boomers age towards their golden years, our vision of the stereotypical Gramps and Granny is being shattered! The new generation of retirees is expected to enjoy longer, healthier lives. With our great focus on health, exercise and nutrition, life expectancy continues to grow, the rate of disability continues its descent and today’s Seniors are enjoying lives with far fewer limitations than their parents before them.

Our new Seniors are a generation of learners, spending an average of 28 hours a month in class or involved in learning projects. They are very engaged in their communities, giving generously of their time and financial resources to help others or to pursue their passions. They are savvy investors which has given them the option of retiring earlier, an option they are exercising with increasing frequency. They retire, not to drop out of the working world, but to shift into a lower gear, start a small business or pursue an entirely different “second career”. They’re the cyber-seniors. In fact, you likely won’t find Granny in her rocking chair anymore, she’s probably out birding, kayaking, taking a class or surfing the web.

But perhaps the most critical of all descriptors of this age bracket is its sheer size. Over the next 3 decades, the number of Americans aged 65 and above will double. The Baby Boomers have long been in the driver’s seat of the US economy and are surely not planning to turn over the wheel in their retirement. Their aging has huge implications for the demand for goods and services, for labor supply, and for Government taxing and spending.

So why is this new generation important to Maine? Well, for starters, our own population is aging, much like the US as a whole. Currently, there are 180,000 senior citizens living in Maine, representing 14% of our population. By 2020, nearly 1 in 5 Mainers will be over 65. Are we ready to serve and support our new village elders? The other compelling reason is at the heart of this report. With increasing life spans, health and financial resources, American retirees are enjoying far greater mobility. Today’s Seniors are shopping around to find the perfect place to start their second lives. They are looking for safe neighborhoods, a pristine environment, access to educational, cultural, and recreational activities. They’re prepared to plant their roots firmly in their new communities, giving generously of their time, their resources, their life experiences and skills. In fact, there are, today, 400,000 Americans who move in their retirement. Given Maine’s small population, we only have to capture a small portion of that activity to reap substantial benefits.

The benefits to Maine of actively seeking to attract and retain retirees are many:

- **The Retirement Industry offers significant multiplier effects**. Because the folks who tend to move in retirement are of above-average means, the ripple effects of their presence are more far-reaching. One study estimated that the economic value of 1 new retiree household is equal to that of 3.7 factory jobs.

- **Retirees put little pressure on our State's resources** as they do not tend to bring school-age children with them and they have the financial means to support their own long-term care when or if they need it.
- **Attracting Retirees is one viable strategy for addressing Maine's labor shortages** which are already constraining our ability to grow.
- **The Retirement Industry is green and growing**. Targeting this industry for development would mean tapping into a growth industry, not trying to fight a downward trend.
- And last, but certainly not least, **the benefits of any investment that we make in making Maine more senior friendly accrue to Maine residents**, not just to those from away.

Ironically, it is Maine's own residents that query with skeptical overtones, "Why would anyone in their right minds want to retire in Maine? Don't they know it's cold here in the winter and the taxes are outrageous?". In fact, it was the belief of many at the beginning of this research that we were experiencing far more out-migration of retirees than in-migration. But in reality - the reverse is true! From examining tax records of the more affluent retirees, we've found that the number of retirees moving into Maine is double the number moving out. And research by the Harvard professor who had been hired by the Libra Foundation to examine Maine's tax structure to determine how it was effecting retirement choices found that Maine taxes are not "outrageous" and broad-based tax reform is not likely to significantly alter retirement patterns. Two Maine tax practitioners confirmed these findings. That is not to say that lowering overall taxes would not enhance our efforts, it only suggests that we consider tax cuts that are targeted rather than broad if we wish to specifically influence retirement choices.

Over the past eight months, the Retirement Industry Advisory Council has been doing a tremendous amount of research in the areas of Quality of Life, Housing and Services, Tax and Finance and Marketing. Each Subcommittee has forwarded recommendations for the Governor's consideration. The 29 recommendations presented in the body of the report can be summarized as follows:

- **Maine should expand access to and increase awareness of cultural, educational and recreational activities for Seniors throughout the state.**
- **Steps should be taken to ensure that a wide array of housing and services options are available to our Senior Citizens along the full continuum of care.**
- **Targeted tax incentives should be implemented that encourage Seniors to keep their residency in Maine and that attract military retirees to Maine.**
- **The State should establish the Maine Retirement Resource Center that would guide retirement industry implementation plans and serve as the single point of contact on all retirement issues.**

As with any economic development endeavor, taking action to enhance the growth of the Retirement Industry in Maine will cost money, but our research indicates that it would be a worthwhile investment for our state. This industry is clean, rapidly growing and is an area in which we have already achieved some success, making this particular investment far less risky.

The 80 members of the Retirement Industry Advisory Council strongly suggest that the Governor and Legislature take action to make Maine the premiere retirement destination in the northeast. The time is right to turn this golden opportunity into a reality that benefits all Maine people.

II. INTRODUCTION

A. Background of the Golden Opportunity

In the early nineties, the Retirement Industry was one of seven industries identified in a visionary report, *Charting Maine's Future*, as holding great promise for Maine. When Governor King presented his Economic Development Strategy in early 1996, this industry was targeted for further study and development. A 42-member private sector Advisory Council was organized to research and prepare recommendations for the Governor's consideration. Their report, *A Golden Opportunity : How Maine Can Enhance the Retirement Industry*, was presented in January 1997. Since that time, several of the recommendations have been acted upon, over 1,000 copies of the report have been distributed and the public's awareness of and interest in this industry have heightened.

As momentum grew in early 99, the Advisory Council reconvened to reexamine the issues and to build on the foundation of the first report. The mission of the Council was broadened to include <u>retention</u> along with attraction. Like the first Council, virtually all of the work was done at the subcommittee level. Each subcommittee was chaired by a private sector individual with expertise in that particular topical area and was staffed by a State Government employee from the most appropriate agency.

This report, *The Golden Opportunity II*, represents an 8 month effort of 80 people. It builds on the solid foundation of the first report, but has taken the research to the next level. The recommendations in this report are, in many cases, more refined, based on critical research and presented in greater detail.

B. Demographics - The Driving Force

Only a decade ago the term "retirement industry" was virtually unheard of in Maine, and frankly, today it remains a mystery to many. A greater mystery to some is why we should even care about this so-called "industry".

The reality is, while this industry is not as easily defined or clearly visible as our traditional industries like paper or shipbuilding, we should care deeply because the opportunity before us is tremendous. As Section III explains in great detail, the aging of the Post World War II baby-boomers will, over the next few years, turn our world on end. In 30 years time, the number of Americans over the age of 65 will double, and within 50 years, the number over 85 will quadruple.

The longevity and lifestyle of senior citizens is undergoing a huge transformation, and the typical retiree of the future will likely shatter our image of Gramps and Granny! With the great emphasis on health, exercise and nutrition, life spans have lengthened considerably, by 30 years this century alone. Americans are living longer, fuller, healthier lives. They are becoming increasingly sophisticated in saving and investing and, because of this, can afford to retire earlier. Modern transportation and telecommunication systems, along with their health and financial resources, allow seniors great mobility in their golden years. This mobility will only increase.

States like Florida have long enjoyed the influx of retirees and fully understand the financial resources they bring with them to their new homes. Florida currently enjoys net in-migration of 28,000 seniors annually and is projected to see that grow to 43,000 by 2020 (<u>see</u> Appendix J).

Maine ranks 19th in the nation in terms of senior citizen in-migration and, while the sheer number is small, is one of only 25 states to experience gains. Connecticut and Massachusetts rank 41st and 45th respectively and have a net outflow of retirees.

In fact, this huge demographic shift offers both opportunities and threats. Maine simply needs to decide whether it wants to take advantage of this economic force, or be trampled by it.

C. The Wisdom of This Investment

The Advisory Council's recommendation of using State resources to enhance the Retirement Industry in Maine must compete with many other worthy economic development ideas for rather scarce development dollars. There are, however, several compelling reasons as to why the Retirement Industry efforts should remain near the top of the State's economic development agenda.

- **The Retirement Industry offers significant economic multiplier effects.** As was mentioned in the original *Golden Opportunity* report, "Retirees who have moved to Maine are an economic force -- cumulatively as important, in many ways, as the opening of a factory or a data processing center. The reason is that each of these -- the retirees, the factory, the data processing center -- bring new money for circulation in the state, and it is this new money that drives growth and economic opportunities for the state's residents." In fact, a study done for one state estimated that every new retiree household has the equivalent economic effect of 3.7 factory jobs. Now this multiplier effect may vary widely from state to state, but even if the impact in Maine were only half that level, it would still be worthy of consideration.

- **Retirees put little pressure on the State's resources.** The majority of retiree households do not have school age children, therefore, this type of new household does not add to our K-12 educational costs. In addition, those who choose to move in their retirement tend to be active, healthy and of above-average means. The active retiree is less likely to need nursing home care for some years and, when and if the time comes that they do require long-term care, they are far more likely to have the means to pay for their own care, thus eliminating the concerns that these "new seniors" will put a major burden on our social services budget.

- **Promotion of the Retirement Industry is one viable strategy for addressing Maine's extremely slow population growth and tight labor-market conditions**. Tight labor markets are already constraining growth in much of southern and coastal Maine, and with record high participation levels and the forecast for minimal population growth over the next few decades, the likelihood is that this will become an even bigger issue going forward. As is explained in some detail in Section III of this report, Americans are retiring earlier (many by their mid-50s), are healthier and are living longer. Further, our research shows that a significant portion of these retirees do not intend to drop out of the working world entirely, they just want to shift into a lower gear, start a small business in an area of great interest to them or pursue an entirely different "second career". The relatively high educational attainment of these movers and shakers, their valuable skills and life experiences and, in many cases, their own financial assets make this group a new and very attractive "labor pool" from which Maine could greatly benefit. Military retirees, whose average age of retirement is in their 40s, offer the additional benefit of being technically trained and could, therefore, help to relieve the tremendous pressure Maine businesses are under to find technically skilled workers.

- **The Retirement Industry is green and growing.** As explained above, over the next 30 years, the number of Americans age 65 and above will double! The demands for goods and services by this age cohort will drive a sizable portion of economic activity. Many states, like Florida, the Carolinas, Arizona and Mississippi, are actively recruiting retirees to capture the burgeoning economic activity they bring. Unlike some industries, this industry is green. It brings in significant dollars without smokestacks or toxic waste.

- **The benefits of any investment we make accrue to our own Maine residents, not just to those "from away".** Any investment that Maine makes in creating a environment which is "senior friendly" will not only serve as an attractant to those seeking a good place to live in their retirement, but will also benefit each and every Maine resident as they reach their golden years. Creating a solid infrastructure of housing and service options that cover the full continuum of care will provide opportunities for seniors to stay in their home state and will provide peace of mind to their families. Creating a tax structure that does not "force" retirees to declare their residency in other states will allow Maine residents to spend longer portions of the year in Maine, supporting their local economies. Finally, extending cultural, educational, and recreational opportunities to our older residents enriches the lives of all residents.

D. Recommendations at a Glance

Following several months of study, the four subcommittees have put forth a total of 29 recommendations for the Governor's consideration. These ideas address a wide array of issues and opportunities. Some are very specific in nature, others broad. A few have significant costs associated with them, the majority are inexpensive but require some creative thought and staff effort. Each and every idea, on its own or in combination, would help to move us in the direction of creating an environment that is "senior-friendly" which would both enable more Maine natives to retire in their home state and encourage more seniors from away to choose Maine as their retirement destination.

The background and a full explanation of the recommendations are presented in Section IV of this report. The recommendations are organized by their committee of origin:

Quality of Life

- **Replicate USM's successful Senior College throughout the state.**

- **Encourage all of the post-secondary institutions in Maine to offer more and better Elderhostels.**

- **Hold a statewide conference on "Aging and Spirituality" with a former US president as the keynote speaker.**

- **Convene the State's colleges and universities to set an agenda for elderlearning: new programs, structures, venues, and models of supported learning.**

- **Make opportunities for direct participation in the arts available for seniors in all communities.**

- **Strengthen the State's infrastructure for the arts, ensuring accessibility**.

- **Arts and heritage tourism should be encouraged and promoted to potential retirees.**

- **Create an inventory of opportunities for senior volunteerism.**

- **Create a corps of volunteer "greeters" to welcome and orient all new residents**.

- **Encourage a wide array of mentoring opportunities.**

- **Encourage new Maine seniors to switch their philanthropic giving from their previous home state to support Maine's private nonprofit organizations.**

- **Sponsor programs to educate older adults on the benefits of philanthropy: how to give, when to give, where to give, and how to maximize the efficacy of their contributions while reaping tax benefits.**

- **Encourage and fully utilize corporate matching programs.**

- **Enhance marketing of Maine's traditional outdoor sports by stressing senior-friendly sports, spectator sports and the vast number of environmentally related programs and trips available to them.**

- **Encourage private clubs, Y's, and Maine schools and colleges to make their facilities available to senior citizens.**

- **Maine's safety is a potent factor in making it an attractive retirement destination and should be stressed in promotional literature.**

Housing and Services

- **The State must take immediate action to provide much needed financial relief to the nursing homes and home care agencies.**

- **In order to recognize the realities of the current and evolving demand for a full range of senior housing and services options along the continuum of care, the State should modify the statutes governing the 3 existing governmental financing agencies (MSHA, MHHEFA, and FAME) that provide support and services to assisted housing and the healthcare industry.**

- **Extend financing opportunities to projects serving all income groups.**

- **Examine creative financing opportunities, including cross-agency credit enhancement, across the 3 governmental financing agencies that serve the housing and healthcare industries.**

- **The State of Maine should provide incentives for our existing physicians and allied health professionals to obtain training in geriatric medicine.**

- **It is essential that Maine immediately and effectively deal with the presently existing allied health labor shortage throughout the State.**

- **Maine should take an active role in educating the public with respect to the benefits of long-term care insurance.**

- **The State should educate and encourage employers to make long-term care insurance available to employees**.

- **Maine should create a comprehensive data base that categorizes senior housing options not by artificial distinctions but by amenities, facilities and available services.**

Tax and Finance

- **For the one-time tax event resulting from the sale of a proprietorship,**

partnership or closely held public business in which the taxpayer has played a significant and active role, Maine should offer some form of tax relief.

- **Maine should offer a partial exemption for public pension income, including federal, state and military pensions.**

Marketing

- **Maine State Government should take a leadership role in developing the infrastructure to support and capitalize on the emerging retirement industry by creating the "Maine Retirement Resource Center".**

- **Maine must launch a well thought out and well funded marketing campaign closely linked to Maine's tourism promotion.**

III. The Changing Landscape of Aging in America[1]

Richard Woodbury
Maine Center for Policy Research

Population aging represents one of the most important transitions and policy challenges of the next several decades. The increasing concentration of people at older ages will affect labor markets, health and long-term care markets, caregiving demands, and the financial burden of public and employer-sponsored benefit programs. Yet population aging is just one of a multitude of aging- related trends that are together changing the landscape of aging in the United States. These nationwide trends are presented here as background to policy discussions that may better prepare us for population aging and its implications in Maine.

Population Aging

Two factors are causing an aging of the population. The first is that the baby boom generation of Americans – those born between 1946 and 1964 – is getting older. In just seven years, this disproportionately large population group begins turning age 60. This, in itself, will lead to a rapid growth in the number and concentration of older Americans over the next several decades. The second factor causing an aging of the population is that people are living longer. Life expectancy at birth is about eight years longer today than it was in 1950, and almost thirty years longer than it was in 1900. Among those reaching age 65, the life expectancy of men is now 80 years, and the life expectancy of women is 84 years.[2]

Figure 1
U.S. Population Aged 65 and Older

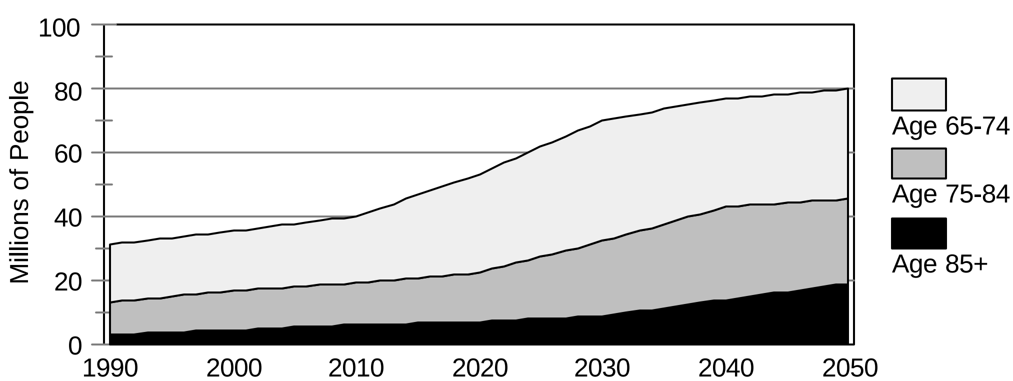


Figure 1 shows the government's current projections of the U.S. population at older ages.[3] These projections indicate that the number of people aged 65 and older will double over the next 30 years; and the number aged 85 and older will quadruple over the next 50 years. Even these projections may underestimate this growth, if life expectancies continue to increase, as suggested by several prominent researchers.[4]

Improving Health and Functional Ability

Perhaps the greatest fear associated with population aging is that there will be a massive new burden of chronic illness and functional disability. The question is often raised about whether we are just keeping chronically ill people alive longer, or whether we are actually improving health at older ages. One of the most exciting findings from recent research in aging is that we seem to be improving health at the same time that we are extending life. As a result, the rates of disability in the population age 65 and older are actually declining, rather than rising (as one would have expected with an aging population). This trend is shown in figure 2.[5] The line on the top of the figure represents the increasing disability rates that one would have expected between 1982 and 1994 with an aging population. The line on the bottom represents the actual decline in disability rates that took place over this period.

Figure 2. Percent of 65+ Population with Functional Limitation

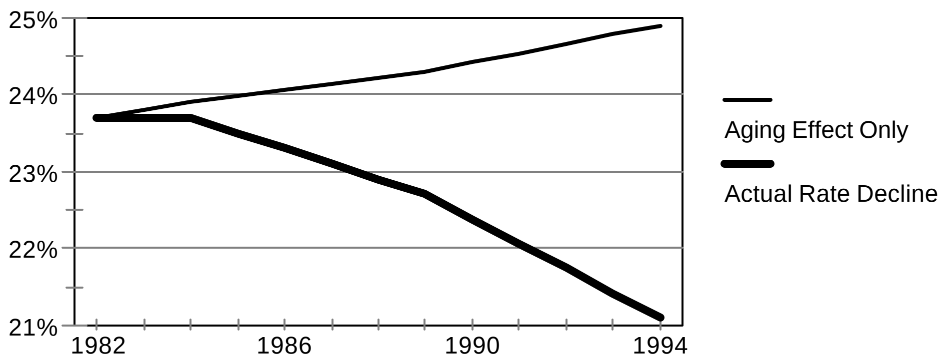


Table 1 presents similar data using four more specific functional ability measures.[6] The table shows the percentage of the population in each of three age groups that reports difficulty in *seeing* the words or letters in ordinary newspaper print, *lifting* and carrying something as heavy as 10 pounds, *climbing* a flight of stairs without resting, or *walking* a quarter of a mile. Between 1984 and 1993, the percentage of people reporting these functional limitations declined in every age category, and for every functional ability measure studied.

Table 1:
Adjusted Rates of Functional Limitation by Age Group
(Percent of Population Reporting Difficulty)

	Age 50-64		Age 65-79		Age 80+	
	1984	1993	1984	1993	1984	1993
Seeing	11.1	7.8	21.1	17.0	35.2	27.0
Lifting	16.6	13.5	30.5	24.6	51.5	41.0
Climbing	16.2	14.7	32.3	30.4	47.2	40.6
Walking	15.2	13.7	29.9	25.4	41.5	35.9

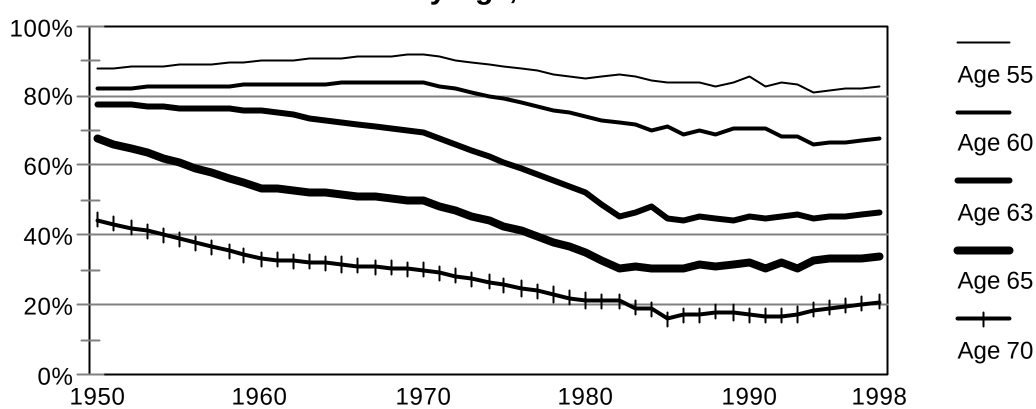
The economic implications of declining disability are potentially enormous. People without disabilities use less medical care, on average, require fewer caregiving services, and face fewer physical impediments to continued work. So the dramatic declines in chronic disability, especially if they continue, could moderate many of the most costly implications of population aging. This raises the question of whether analysts expect disability rates to continue to decline in the future, and what policies might be implemented to stimulate continued declines in disability.

While expectations about future disability rates are necessarily speculative, researchers point to a number of factors that may promote continued declines in disability.[7] For example, continuing advances in medical technology and pharmaceutical product development are thought to be important in decreasing chronic illness and in better managing the functional limitations associated with chronic illness. Researchers also point to the continuing trend toward higher levels of education and financial resources among older Americans and their strong association with improved functional ability. And finally, ongoing improvements in health-related behavior in the population and continued government efforts in health promotion may lead to continued disability decline. This last factor in particular may provide an instrument for State policy, as investments in public health may have important payoffs in reducing chronic illness and functional disability at the State level.

Early Retirement

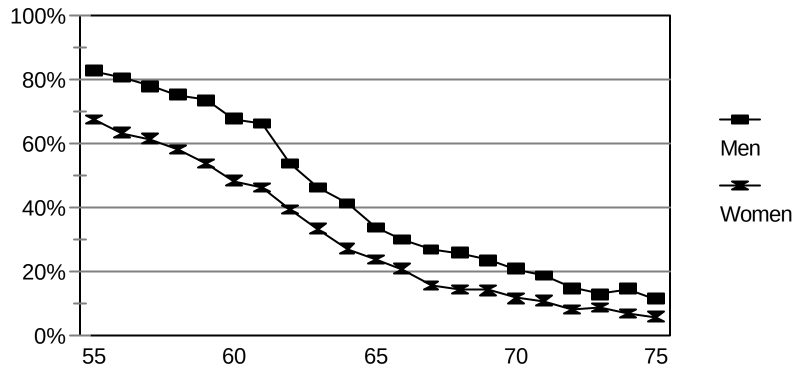
Despite improvements in health and longevity, many workers in the United States retire young, often in their late 50's and early 60's. According to Labor Department estimates for 1998, only 20 percent of men and 11 percent of women are still working full-time at age 65; and only 33 percent of men and 23 percent of women are working even part-time. The early retirement occurring in the United States today is the result of a long-term trend. Figure 3 illustrates this long-term trend for men. The figure shows the labor force participation rates of men at ages 55, 60, 63, 65, and 70.[8]

Fig 3. Labor Force Participation Rate
Men by Age, 1950-1998



Among older women, labor force participation rates combine two offsetting trends. First, more women of all ages are working in the formal labor market. This has increased labor force participation rates of women at all ages. Second, women (like men) are retiring earlier. This offsets the increase in labor force participation, but only among older women. Thus the total labor force participation rate of women between ages 25 and 59 has almost doubled since 1960, from 41 percent to 75 percent. Yet the labor force participation rate of women age 60 and older has remained steady at about 16 percent.

Fig 4. Labor Force Participation Rate
Men and Women by Age, 1998



Today, American workers start retiring in significant numbers around age 55; and the percentage of the population that continues working declines steadily thereafter. Figure 4 shows the age-specific pattern of labor force participation in 1998 (including part-time workers).[9] Based on these participation rates, almost half of those working at age 55 will have fully retired from the labor market by age 63, and almost two-thirds will have retired by age 65.

Retirement Programs and Policies

The combination of younger retirement and increasing longevity means that Americans are spending more years in retirement than at any time in history. From one point of view, this might be applauded as an achievement of economic growth. From another, it is a source of concern for the future. The financial pressures on Social Security, Medicare and Medicaid, and the need for cost-saving policy reforms are among the central concerns in Congress today. The question is how can these policies be reformed to assure the health and economic security of older Americans in the future at a cost that is sustainable in the long-term. Among the cost-saving reforms already enacted by Congress is an increase in the age of eligibility for "normal" Social Security benefits -- from age 65 to age 67. (Early retirement benefits will still be available at age 62, but they will be reduced by more than they have been in the past.) Other cost-saving reforms are likely in the future.

Changes are also happening at the employer level, as fewer employers are providing their retirees with traditional pension benefits, and fewer employers are providing post-retirement health insurance benefits. All of these reforms will increase the responsibility of individuals to provide for more of their own support at older ages, either through increased saving, or from continued work, or other means.

Retirement Saving

Retirement saving is another area of significant transition in the United States. Over the past decade, the number of households participating in employer-sponsored retirement savings plans (such as 401(k) plans) has increased dramatically. As a result of this widespread participation, these plans are becoming an increasingly important component of financial support at older ages. Because most 401(k) plans have only existed for a few years, their impact on future retirees will be far greater. Younger workers who are beginning to contribute to these plans today will find their savings compounded over a working career of thirty years or more.

In roughly half of U.S. households, one or both spouses is currently eligible to participate in a 401(k) plan. More than two-thirds of eligible employees make contributions to their 401(k) plans. And every year, the number of employers sponsoring plans increases, the number of participants in these plans increases, and the amount of savings taking place through these plans increases. Over 30 million Americans now participate actively in 401(k) plans, and over $100 billion of contributions are made annually to these plans. Figures 5, 6 and 7 illustrate these trends.[10] By extrapolating from current trends, researchers have estimated that 401(k) plans could contribute as much as Social Security to the financial well being of older Americans in the future.[11]

Figure 5
Number of 401(k) Plans

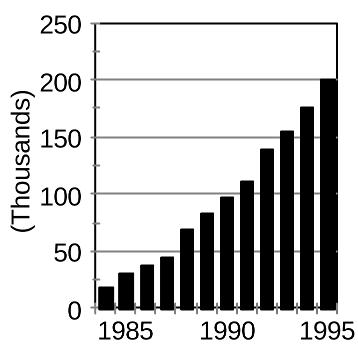


Figure 6
Active 401(k) Participants

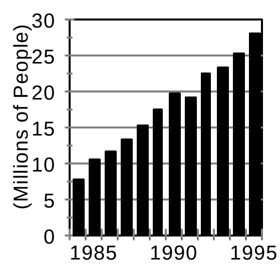
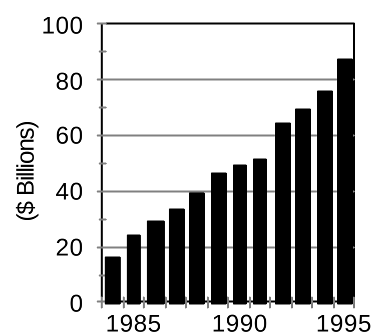


Figure 7
Annual 401(k) Contributions



A closely related finding from research in aging is that 401(k) plans stimulate new saving that would not have taken place if the plans had not been available. Again, this suggests a potential instrument for State policy. If more employers in Maine can be induced to establish 401(k) plans, then more employees in Maine will become active in saving for retirement. And these savings may be important in providing for the financial security of retirees in the future.

The Changing Landscape

Many factors are contributing to a changing landscape of aging in the United States. While the aging of the population has already had a large social and economic impact, much larger demographic changes are still ahead. There will also be changes in the public and private policies that provide benefits to older people. Reforms to these programs are likely to include increases in the age of eligibility for particular benefits, or reduced benefit levels, or targeting of benefits to those most in need. This direction of reform, driven by the financial pressures of an aging population, suggests an important transition in the balance of responsibility for old age planning. The public can do less, so individuals must do more.

What should we be thinking about in Maine? Amidst the many policy challenges associated with population aging, improvements in functional ability and increases in targeted retirement saving are two national trends with widely beneficial implications. Both may be influenced (and extended) by policy at both the federal and State levels. And both have the potential to moderate the most costly implications of population aging. Continuing improvements in health and functional ability are not only providing a better quality of life in old age, they are also moderating the rapid growth in health and long-term care costs, and they are increasing people's physical capability of continued work (and continued earnings) at older ages. Thus current investments in health promotion may have important economic payoffs long into the future. Extending the opportunities for retirement saving may have similar payoffs. People employed at firms that sponsor 401(k) plans save significantly more, on average, than people employed at firms without them. Expanding 401(k) sponsorship, and encouraging firms to match employee contributions, even at low matching rates, could also prepare us better for retirement in the future. The hope – both nationally and here in Maine – is that we can build on the more positive trends in aging, and in so doing, prepare ourselves for the more challenging ones.

References (see page 56)

IV. FINDINGS AND RECOMMENDATIONS

A. Quality of Life

Among the many demographic statistics with which we have been bombarded as we move toward the 21st century, one stands out dramatically: in slightly less than a century, the average life span in America has increased from 47 years in 1900 to 75 years in 1995. This is an incredible statistic; we are living 62.6% longer than our great grandparents. Moreover, all the outmoded stereotypes of aging have given way to the new reality that older adults tend to be cognitively sound, healthy, living independently, actively involved with their families, friends and communities, and playing a crucial role through their volunteer and philanthropic activities in strengthening the social safety net that undergirds those communities.

In short, retirees are playing new social roles in a whole new game of life. Retirement has taken on a new meaning as people can look forward to another twenty to thirty years after the age of 65. Some retire from one paid job to another, perhaps in a different field, perhaps on a more flexible time schedule. Some retire to build a new life filled with learning, creativity and cultural pursuits. Some retire to a busy life as volunteers, using their accumulated life skills to help others less fortunate than they. The rocking chair has been retired in favor of the exercise bicycle, and computers have been embraced by older adults who recognize them as a dandy new way to keep in touch with grandchildren, do research on favorite topics, and find new friends with whom to play chess or share their interest in Civil War history.

Given this expanded life span, quality of life has come to the fore as one of the primary considerations in choosing one's place of retirement. National research has shown that among the strongest factors that influence where a person decides to retire are natural and cultural amenities. The State of Maine's natural endowments, its rivers and ocean, its mountains and forests, the beauty of its relatively unspoiled environment are powerful attractions to retirees and contribute mightily to its quality of life. Other strong attractions are Maine's abundance of summer and winter sports activities, the lifestyles of its small communities, the relative lack of crime, and access to cultural and arts activities year round in its cities and villages. A number of things can be done to enhance what is already in place and provide even more reasons for people to decide that Maine is retirement the way it should be.

1. Elderlearning

This new breed of retirees is heavily involved in learning. They take courses in colleges or community centers, they join literature or foreign policy reading groups, they are regulars in our libraries and bookstores, their study/travel now accounts for one third of travel in the United States, and their self-generated learning projects consume an average of 28 hours per month. (1)

Recent research has dispelled the myth of inevitable cognitive decline as one ages. We now know that in the absence of physiological disease, we can continue to learn up through our eighties and even nineties. Just as the best insurance for a healthy body is physical exercise, the best insurance for a healthy mind is mental exercise. Simply put, it's "use it or lose it" if one is to retain one's intellectual powers over the entire life span.

But even if it were not a prescription for cognitive health, many older persons have turned to learning to catch up on what they may have missed when younger, to follow up on their hobbies or interests, to meet like-minded people, to work at creative pursuits, or to equip themselves for new kinds of volunteer or paid work. Many of these older persons tend to relocate near college and university campuses that offer them educational opportunities both in the classroom and in lectures, discussions and performances on campus. Maine's existing educational facilities constitute a natural asset to attract retirees, and, in turn, they can benefit from these retirees' contributions in time, intellectual energy and money.

Recommendations:

- **The Senior College model, so successfully begun at the University of Southern Maine, should be replicated throughout the state on campuses or in learning centers in ways that respond to the unique needs of the retirees in each community.**

- **All of the post-secondary institutions in Maine, public and private, should be strongly encouraged to offer more and better Elderhostels.**

  Retirees frequently use Elderhostel travel as a way of finding and assessing places to which they might wish to retire. With some exceptions, current offerings in Maine do not portray Maine at its intellectual and cultural best.

- **Planning efforts to hold a year 2000 statewide conference on "Aging and Spirituality," with former president Jimmy Carter or some other notable as the keynote speaker, should be continued at high levels.**

  A well-crafted agenda for this conference and suitable publicity will disseminate the concept that Maine is a place that cares about its older citizens and has progressive ideas about their needs.

- **The State's colleges and universities, public and private, should be convened to set an agenda for elderlearning: new programs, structures, venues, and models of supported learning.**

  Research is teaching us that older adult learners care little about grades, credit, certificates, and degrees, but they do care, passionately, about learning. Some creative thought needs to be given as to where, how and why this learning is to be encouraged and supported in ways that benefit both the learners and their communities.

2. The Arts

An important component in older adults' lives is the opportunity to view, listen to, or participate in the arts. For many people, the time after retirement is enriched by their involvement in writing, painting, music and other creative pursuits. The arts add to the quality of life in many ways:

- they serve the existing population while attracting the new
- they educate and improve us as individuals
- they function to bring in revenues far in excess of ticket sales
- they bring communities together
- they provide opportunities for direct participation and for volunteer activities
- they stretch our imagination, appealing to our heads, hearts and spirits

Maine is blessed with a strong arts community. The State can build on its assets and existing arts organizations to attract more retirees to live in Maine.

Recommendations:

❖ **Make opportunities for direct participation in the arts available for seniors in all communities.**

Existing institutions such as the Maine College of Art, Haystack Mountain School of Crafts, Round Top Center for the Arts, the Northeast Historic Film Center, the Portland Conservatory of Music, the Portland Stage Company and the Maine State Summer Theater (among many others) should be encouraged to expand their programs and use of facilities for seniors. Inter-generational classes and hands-on workshop sessions that actively engage their creativity add greatly to the quality of older adults' lives.

❖ **Strengthen the State's infrastructure for the arts, ensuring accessibility**.

There is a compelling need in Maine for easily accessible arts facilities. Communities targeted as retirement magnets need to have facilities to house performance and visual arts while providing a central identity to the community. Arts centers can easily house lecture series and provide meeting space for elderlearning activities. These centers would also allow more year-round programming. (**see Appendix F** for suggestions on how to finance the Arts infrastructure.)

❖ **Arts and heritage tourism should be encouraged as a way of promoting Maine's cultural, historical and scenic assets to potential retirees who constitute the bulk of recreational travelers.**

3. Volunteerism and Philanthropy

Thousands of recent retirees to Maine have been drawn into the center of their new communities by their involvement in volunteer activities. Maine nonprofit organizations welcome the newcomers and find ways to capitalize on the talents and expertise they bring with them. Experienced senior citizens are sought as volunteers and consultants in a wide variety of fields and settings. Maine's very underdevelopment as a retirement haven heightens its need for active retirees and, in turn, offers them a chance to do volunteer work that is vitally important.

Retirees report that their help is eagerly sought – the doors are open — and that through the work they do with local social service, cultural, educational and health organizations, they have gained new friends and a better understanding of their new communities, as well as the welcome sense that they are helping the people of this state. Volunteering is good both for the quality of life of the active volunteer and for the quality of life of the community.

Recommendations:

❖ **Create an inventory of opportunities for senior volunteerism.**

This inventory should include both structured programs and informal voluntary arrangements, and the results should be incorporated into the state's marketing efforts. There are three statewide programs that specialize in placing retirees in appropriate positions: Retired Senior Volunteer Program (RSVP); Service Corps of Retired Executives (SCORE); and Reach Out Maine Alliance (ROMA). (**see** **Appendix G** for further information on these agencies.)

❖ **Create a corps of volunteer "greeters" to help potential and actual retirees get a positive orientation to Maine.**

The Maine greeters would serve as guides to cultural and educational resources, shopping, recreational facilities, social service agencies, health services, local government and citizens' organizations, and community values and living patterns. A possible model is "Big Apple Greeter," a nonprofit agency in New York City that assigns specially trained volunteers to familiarize newcomers with the city's resources. While Big Apple Greeter is designed mainly for tourists, the Maine service would be geared to new residents – younger families as well as retirees.

- ❖ **Encourage opportunities for mentoring programs that work with "at risk" youth or through court-appointed special advocate programs such as Jumpstart in Bath. Similarly, older adults may want to volunteer to mentor recent émigrés from other cultures or to work with younger people in an apprenticeship mode to teach traditional crafts.**

Philanthropy is another avenue for recent retirees to connect with their new communities in meaningful ways. Many retirees have developed over a lifetime a generous pattern of charitable and philanthropic giving, both as individuals and through their business affiliations. The Maine Community Foundation reports that the majority of its funds are from people 60 or over, a rich and much needed resource for the State.

Recommendations:

- ❖ **Encourage retired persons living in Maine to switch their philanthropic giving from their previous home state to support Maine's private nonprofit organizations. This effort should also include part-time residents of Maine who have may never have thought of the needs of the communities in which they spend their summers.**

- ❖ **Sponsor programs to educate older adults on the benefits of philanthropy: how to give, when to give, where to give, and how to maximize the efficacy of their contributions while reaping tax benefits.**

- ❖ **Be sure that we have tapped the potential resources of Maine retirees whose former employers will "match" their contributions. These matching funds can be a significant source of revenue, but sometimes donors ignore or forget that they have access to extra support for the organizations to which they contribute.**

  NOTE: It has been suggested that there should also be a concerted effort on the part of individuals and the State to persuade Maine-based companies to institute programs to match their employees' charitable contributions.

4. Recreation

The quality of one's life at any age, as well as one's health, is significantly enhanced by the choice of the recreational activities available.

Recommendations:

- ❖ **Although Maine is well known as rich in opportunities for the traditional outdoor sports such as sailing, boating, hiking, and mountain climbing, we should also be stressing: 1) such senior-friendly sports as bicycling, birding, kayaking, beach-walking and golf; 2) spectator sports such as hockey, football, soccer and baseball; and 3) the vast number of environmentally-related programs and trips sponsored by organizations such as the Audubon Society, the Nature Conservancy, and various local eco-friendly groups. In addition, promotional literature should mention the policy of no admission charge to seniors in State Parks.**

- ❖ **The state has a need for more health club facilities and indoor pools. Private clubs, Y's, and Maine schools and colleges should be persuaded to make their facilities available to senior citizens.**

- ❖ **Maine is one of the safest places in the USA, where one can walk in neighborhoods or in the parks without fear. Maine's safety is a potent factor in making it an attractive retirement destination and should be stressed in promotional literature.**

B. Housing and Services

Although wealth does allow many people choices which they might not otherwise have, and while public resources often given those of modest means more choices, barriers in the market prevent even the affluent from opportunities – even those they can afford. In addition to providing affordable options, government should work to remove unnecessary and inappropriate barriers to the market that prevent the creation of a broad range of living choices. Government should also recognize the interplay between housing and health care services for the senior members of our population. Health security along the entire continuum of care is a critical issue for retirees. Wealth doesn't matter if there are no primary care physicians schooled in geriatrics available to care for you. Wealth also doesn't matter if the only available facilities are inadequate to meet either present or future needs.

1. Financing of Existing and Future Facilities and Services

As our state population ages, the need for a healthy long-term care industry capable of providing a true continuum of care will become critical to the vitality of any retirement industry development in Maine. It is, therefore, essential that in addition to developing policy and laws which encourage the development of alternatives to traditional nursing home care, the State take action to strengthen and ensure the continued existence of the nursing home industry, recognizing that it is an important and vital part of the overall continuum of care which is needed. A broad array of housing and service options will become increasingly important as the State's senior population numbers grow.

Furthermore, because of the rapidly changing structure of the types of housing and related services and the manner in which those services are provided to the senior population, it is also essential that the existing governmental finance agencies and mechanisms for assisted housing and healthcare financing modify their respective procedures and statutes to be consistent with the reality of those changes.

Recommendations:

- ❖ **The State must take immediate action to provide much needed financial relief to the nursing homes and home care agencies.**

- ❖ **In order to recognize the realities of the current and evolving demand for a full range of senior housing and services options along the continuum of care, the State should modify the statutes governing the 3 existing governmental financing agencies [namely; the Maine State Housing Authority (MSHA), the Maine Health and Higher Educational Facilities Authority (MHHEFA), and the Finance Authority of Maine (FAME)] that provide support and services to assisted housing and the healthcare industry.**

At the present time, the Maine State Housing Authority (MSHA) provides relatively low-cost financing, however, it was created for the sole purpose of providing affordable housing to Maine's low and moderate income residents.

The Maine Health and Higher Educational Facilities Authority (MHHEFA) has traditionally provided low-cost financing for healthcare facilities in Maine. Unfortunately, many of the types of housing and services that currently exist and are being developed in the State of Maine, as well as in other jurisdictions, to meet the needs of our senior population in their years of retirement do not fit into the current jurisdictional definitions contained in the statute which created MHHEFA.

The third major existing public financing agency in the State of Maine is the Finance Authority of Maine (FAME). Although FAME has done some financing for retirement housing, again, because of the restrictions placed on the types of projects and programs which that agency can operate to assist in financing, its ability to provide cost-effective financing for senior housing projects is very limited at the present time.

- **Extend financing opportunities to projects serving all income groups.**

One of the results of the present failure of the statutes creating the above-described public financing agencies in Maine to keep up with the developments of different types of senior housing and service programs is that a gap has been created with respect to the availability of cost-effective long-term financing for retirement facilities and programs which serve persons with annual incomes in the $18,000 to $30,000 range. Persons with incomes below this range would qualify to reside in facilities that could be financed through MSHA and persons with incomes higher than this could at least in some circumstances afford essentially to reside in so-called "market rate" facilities which are financed through more traditional and more expensive means than those offered by the above-described, existing public agencies. Furthermore, although some persons presently in the above-cited income range are residing in existing facilities which are considered at the higher end of the market, the only reason that they are able to do so is through a combination of spending down their assets and through assistance through other sources such as other family members.

If Maine is going to be competitive in terms of attracting even the more well-to-do retirees from outside the state, it is also important that it provide cost effective financing for even those projects that under present circumstances would be considered market rate or high end projects that are marketed to those persons who can afford the higher costs that result from the more expensive, traditional financing those projects use at the present time. Although some will debate whether public financing mechanisms should be used to help reduce the overall costs of providing retirement facilities and services to those who are considered to be able to well afford to pay the additional costs resulting from non-public, more traditional financing of those projects, as well as for those who are less able to afford to reside in such projects, if Maine is going to be competitive in the marketplace with respect to encouraging people to see Maine as a retirement destination, it is essential that at least some public financing be made available for all types and levels of retirement living facilities and projects as a means of lowering the overall development and operating costs which must be passed on to the consuming public.

- **Examine creative financing opportunities, including cross-agency credit enhancement, across the 3 governmental financing agencies that serve the housing and healthcare industries.**

In order to accomplish the express goal of expanding and modifying the statutes creating the above-described three public financing agencies to better serve the facilities and programs in the so-called middle and higher end of the retirement market, it is essential that the State work to develop mechanisms to create credit enhancements that will lower the overall costs of borrowing to finance the construction and operation of these retirement facilities and programs. Some of the mechanisms that have already been used by other states in order to effectuate this policy change are as follows:

- The use of the moral obligation of the State of Maine in a specific and controlled manner such as the statute which was enacted several years ago which authorized FAME to issue moral obligation bonds not to exceed a specified amount to finance the buyout by the electric utilities in the state of non-utility generating (NUG) contracts in order to permit those utilities to reduce their costs of operating.

- The blending of private bond insurance and state backed insurance;
- The use of existing public funds such as retirement system reserves and sewer and drinking water revolving loan funds to “cross collateralize” a loan or bond issue;
- The creation of an industry funded capital reserve fund that could also be used to collateralize loans or bond issues.

A number of the above-described examples could be used in combination with each other as a means of minimizing and spreading any risk to any one source that would be used as a credit enhancement while still achieving the overall desirable goal of lowering the cost of financing for retirement facilities and projects. Furthermore, even in those instances where credit enhancements, such as the State’s moral obligation, were not used or available, the ability to finance smaller projects would be greatly enhanced if a mechanism was created from a legal and regulatory standpoint which would allow several of these projects to issue bonds using the pooled approach presently used by MHHEFA.

The above-described three existing state agencies clearly have the expertise and experience to be able to work together to administer the type of credit enhancement program that is recommended without the necessity of creating any type of new agency or mechanism within the state for this purpose.

2. Healthcare Services

Recommendations:

❖ **The State of Maine should provide incentives for our existing physicians and allied health professionals to obtain training in geriatric medicine.**

At the present time, the best information available indicates that we have approximately two dozen practicing physicians through the State of Maine who hold themselves out as having either a specialty or subspecialty in geriatrics. As indicated in the opening paragraph of this portion of the report, wealth does not matter if there are no primary care physicians available who are schooled in geriatrics. It is, therefore, essential that the State of Maine work to provide the means for our existing practicing physicians (probably family practitioners and internists) to obtain the necessary training through continuing medical education to raise their level of expertise in this particular area of the practice where we know there will be a dramatically increasing need for those types of services.

The state should work with the Maine Medical Association, the Maine Osteopathic Association and the Maine Hospital Association as well as through the Maine Medical Center affiliation with the University of Vermont School of Medicine, the MaineGeneral Medical Center's affiliation with the Dartmouth Medical School, and the University of New England Division on Aging, to develop these very necessary continuing education programs and courses for our existing physician population in order to provide expanded training options in geriatric medicine to better assure access to physician expertise in all areas of the State.

Maine should also expand its loan forgiveness program for physicians which is administered by FAME in a manner that would encourage physicians to enter the specialized field of geriatrics and practice here in the State of Maine.

- **It is essential that Maine immediately and effectively deal with the presently existing allied health labor shortage throughout the State.**

Furthermore, it is as important to provide much needed specialized training of allied health personnel, including but not limited to CNAs and PCAs, as it is for physicians, since it is these allied health professionals who have a more frequent and intimate contact with the members of our senior population.

3. Long-Term Care Insurance

Recommendations:

- **Maine should take an active role in educating the public with respect to the benefits of long-term care insurance.**

The State of Maine, as a matter of public policy, should also take an active role in better educating the general public of all levels of income and means with respect to the benefits that can be obtained in a person's senior years as a result of the purchase of long-term care insurance to cover what can be the very extensive costs for the services that a person requires as he or she ages. Furthermore, long-term care insurance could also provide an alternative source of funding the cost of services for those who cannot afford those services and who would normally be relying upon governmental sources for the payment of the costs of those services. Although the funds that would be necessary to purchase long-term insurance for those who cannot afford it would be public funds, the present use of these funds to purchase insurance which would pay for the future cost of those services would prove to be a much more cost effective means of paying for those services as opposed to using those same public funds to pay directly for the services when they are required by those who cannot afford to pay for them. The State should also look at demonstration projects already underway in other states which tie the purchase of long-term care insurance to the ability to participate in the Medicaid program without an asset spend down.

❖ **The State should educate and encourage employers to make long-term care insurance available to employees**.

Although such programs usually are entirely employee funded, they allow employees to cover their spouses, parents, in-laws and other family members using a group insurance approach, which is much less expensive than to purchase such insurance on an individual basis.

4. Housing and Related Support Services

Recommendation:

❖ **Maine should create a comprehensive data base that categorizes senior housing options not by artificial distinctions but by amenities, facilities and available services.**

In order to encourage people to see Maine as a retirement destination it is imperative that we first take stock of exactly what Maine has to offer, not only with respect to the quality of life, but more specifically with respect to the facilities and related services that are presently available throughout the State. In the past, we have consistently had problems with respect to dealing with the artificial distinctions of different types of facilities and categories of care, such as skilled nursing facilities, intermediate care facilities, board and care homes, residential care facilities, assisted living facilities and congregate facilities. Although the Maine Legislature a few years ago recognized the artificiality of these distinctions by passing landmark legislation to encourage aging in place, there continue to be, at least from a licensing standpoint, different categories of facilities and related care services. This continues to present a very confusing array of facilities and services to the senior population of our State and their families.

In order to deal with the above-described confusing situation for senior citizens, Maine should collect the relevant data for the purpose of building a database that is not based upon the above-described artificial distinctions, but rather specifically deals with the different types of housing and related amenities and support services which are presently available within the State of Maine. Only through this approach will relevant information be provided to the consuming public to make informed decisions with respect to their choice of retirement living and related services.

Once the database has been created, a website should be built and maintained so that any changes in existing facilities and services as well as new facilities and services being created can be included as part of the database and the website that will be accessible to the consuming public.

Whatever the final decision is on the home of the proposed website and its final design, it should be the only site in the State of Maine to obtain and maintain current and specific information on senior citizen housing and related services. The information contained and maintained in the proposed website would also be a major component of any effort to market Maine as a retirement destination.

C. Tax and Finance

1. Background and Commonly Held Beliefs

In the 1997 Golden Opportunity report, the Tax and Finance subcommittee recommended that Maine:

- Reduce the total tax burden for all Maine Citizens,
- Not lower taxes for wealthier retirees at that time,
- Expand the state tax subtraction for long term health care insurance,
- Repeal the "Rule against Perpetuities".

Maine's Legislature has acted on the above recommendations. There have been significant reductions to Maine's sales and property taxes and more modest modifications to the state's personal income tax. The Legislature also expanded the reduction for long-term healthcare insurance and, in 1999, it repealed the Rule against Perpetuities.

After reviewing the 1997 Report, its recommendations and subsequent Legislative actions, the 1999 Retirement Tax and Finance Subcommittee determined that it must prioritize its recommendations, and in the limited amount of time available deal only with the most pressing retiree tax issues. Like the 1997 group, participants perceived Maine as a "high tax" state and there was consensus that the high Maine income tax resulted in a significant barrier to attracting and retaining retirees. There was considerable anecdotal evidence that wealthy Maine retirees were departing the state as a result of the high taxes and that it was difficult to market Maine to potential out-of-state retirees because of the tax burden.

From the first meeting, the Subcommittee members expected that the most significant barrier to retaining and attracting retirees was Maine's high top marginal individual income tax rate (8.5%) combined with the relatively low amount of taxable income ($16,500 for individuals, $33,000 for joint returns) needed to reach that top rate. The 1997 Report cited Maine as ranking 10th in the country in terms of tax burden and provided some statistical support for this conclusion. More recently, at least one 1999 study has ranked Maine as high as third in terms of its tax burden as a share of personal income.

However, this Subcommittee's original premise that Maine's comparatively high individual income tax rates would act as a considerable barrier to attracting or retaining retirees was refuted by data provided by a variety of sources. Maine Revenue Service data, supported by Census and IRS data, show that more retirees have moved into Maine than have left, and more wealthy retirees have moved into Maine than have left.

That does not mean that Maine's individual income tax code is competitive with so-called retiree magnet states. Clearly, there are reasons other than Maine's tax policy which allow Maine to attract a net gain in the number of retirees moving into the state. Changes to Maine's individual income tax would, however, make Maine even more attractive and more competitive as a location for retirees. In fact, the

Subcommittee concluded that, but for Maine's comparatively high tax burden, Maine would have gained many more retirees.

2. Updated Research on Maine's Tax Burden and Its Impact on Retirees Choosing Maine As A Retirement Location

The Subcommittee met twice with John D. Donahue from Harvard University's John F. Kennedy School of Government's Center for Business and Government. Donahue conducted a Study of Maine's tax structure and its impact on retirement in the State of Maine for the Libra Foundation. The Libra Foundation provided the Governor with the final report, and the Harvard group shared its research and conclusions with this Subcommittee.

Maine Revenue Services provided data both to the Subcommittee and to the Libra Foundation study. This data was developed from Maine returns an also from information gathered by the IRS. Finally, the Subcommittee invited local tax and financial planners to report on experience from their practice.

Both our Subcommittee and the Harvard study sought to answer the questions whether Maine's tax code "drove away" retirees, and what changes could be made to Maine's tax code that would make Maine more attractive for retirees.

At the final Subcommittee meeting Mr. Donahue shared some of the data gathered for the Harvard study. Specifically, he reviewed comparative data between Maine and other states regarding tax policy. Their research (based on Census data) comparing in- and out-migration for Maine and New Hampshire showed the following:

Households heads 55 or older in 1990	Left Maine for another state between 1985 and 1990	Came to Maine from another state between 1985 and 1990
1990 income under $45,000	**2.6 percent**	**5.0 percent**
1990 income $45,000 or over	**6.2 percent**	**7.4 percent**

Households heads 55 or older in 1990	Left New Hampshire for another state between 1985 and 1990	Came to New Hampshire from another state between 1985 and 1990
1990 income under $45,000	**7.1 percent**	**9.1 percent**
1990 income $45,000 or over	**5.8 percent**	**6.5 percent**

A 1995 Census Bureau report also showed that 33,000 more people moved into Maine from other states between 1985 and 1990 than departed Maine, a significant net gain to the state.

To assist in answering the two key questions, Donahue's study compared Maine's tax burden on retirees to tax policy in other states. Also, with data supplied from the Maine Revenue Service, the group reviewed whether there was in-migration or (as expected) out-migration of retirees from Maine based on the number of tax returns filed by residents over age 65 in Maine.

Maine Revenue Services Data:

The migration information listed below is for Maine taxpayers with a tax liability of greater than $5,000, which roughly equates to Maine gross state income of $100,000.

*Total population, in-migration of taxpayers (All ages, with tax liability > $5,000) = 1,135
(Did not file 1997 return, but did file 1998 return)

*Total population, out-migration of taxpayers (All ages, with tax liability > $5,000) = 562
(Filed 1997 returns, but did not file 1998 return)

The new Maine taxpayers paid $12.2 million to the State of Maine, while those departing the state had paid $ 6.5 million in taxes.

Maine Revenue Services also examined Maine tax returns for those taxpayers over the age of 65 and with tax liability exceeding $5,000 as follows:

*Inbound residents over age 65 (with tax liability > $5,000) = 150
(Did not file 1997 return, but did file 1998 return)
(revenue totals $2.1 million)

*Outbound residents over age 65 (with tax liability > $5,000) = 72
(Filed 1997 returns, but did not file 1998 return) (revenue totals $1.0 million)

Summarizing this data, more than twice as many taxpayers who paid more than $5,000 in taxes to the State of Maine moved into Maine as moved out- but more surprising, more than twice as many taxpayers who were over age 65 and paid more than $5,000 in taxes to the State of Maine, also moved into Maine! Maine Revenue Service reported that those taxpayers paying more than $5,000 to Maine represent the top 5% of filers.

Local tax and financial planning professionals (Gain Francis of Price Waterhouse Coopers and

James Jackson, Vice President, Tucker Anthony) reported about their individual experiences with high net worth, high-income clients, defined as those with more than $100,000 in income. These clients readily seek tax advice and financial planning services and often have financial and tax plans which calculate expected cash flows at least five years into the future. Local tax and financial planning practitioners must inform their clients about Maine's tax burden and how this tax burden could impact retirement income. Also, these practitioners inform their clients it is relatively easy for Maine residents to switch residencies to states with little or no state income tax burden (i.e. Maine's neighbor state, New Hampshire, has no income tax and popular retirement state of Florida also has no state income tax).

Our two practitioners concluded that while some clients did indeed leave Maine for tax reasons, a large majority of residents, approaching retirement age and seeking tax and financial planning advice, chose to remain Maine residents. When asked, they estimated that 75 - 80% or more of their clients chose to remain Maine residents. Many of those that moved had a multitude of reasons, not just Maine's tax treatment of retiree income. Some very high net worth individuals do leave the state for tax purposes, but not the majority.

The tax and financial planning practitioners did identify one aspect of Maine's tax code that seemed especially harsh to the retiring Maine resident. A business owner who has built tremendous value of his/her closely held business would face tremendous tax liability on the one-time event of the sale of the business. This value built over years of labor and effort turns into capital gains by a single transaction, and could push a lifelong Mainer to change his/her residence prior to the sales transaction. The sales transaction typically occurs late in life as retirement planning occurs. The practitioners even identified businesses being moved out of state, including the jobs associated with those businesses in order to avoid the one-time tax event. As Donahue's Report concluded, "Such tax-inspired emigration may turn out to be permanent, to the detriment of both the tax émigré and the State of Maine." The Libra Foundation Report from Donahue and the opinions of the tax and financial tax practitioners concluded that Maine should investigate tax changes for these special circumstances.

3. Conclusions and Recommendations

After review of the data from the various sources and extensive discussion, one fact that became evident, as it did to the 1997 Tax and Finance Subcommittee, is that to compete with states like Florida and New Hampshire, which have no income tax, Maine would have to make drastic tax cuts, not modest or incremental changes. For those retirees who are most concerned about tax impact, a modest reduction in Maine tax would not change their decision to avoid state income taxes altogether. Such a drastic change to the Maine tax code is not supported by the various sources of data presented to the Subcommittee.

A second conclusion became obvious to our group - Maine stands out in not offering some form of "special treatment" to retirement income. Donahue's research demonstrates that among the 41 states that have broad based individual income taxes, Maine is one of eight that offers no exemption for any retirement earnings, including military and federal pensions, state and local retirement benefits, and private pensions. As mentioned previously, New Hampshire and Florida have no general individual income tax. Other retirement magnet states, such as Arizona, North Carolina, South Carolina and Virginia offer some form of exclusion or exemption for pension income.

The "momentum" to offer some form of special treatment to retiree income is also great. Donahue researched tax changes from 1996-1999 and found that 19 states passed some form of income tax reduction that directly or disproportionately benefits retires or older taxpayers.

Recommendations:

- **For the one-time tax event resulting from the sale of a proprietorship, partnership or closely held public business in which the taxpayer has played a significant and active role, Maine should offer some form of tax relief.**

  This relief could take the form of a tax credit or exemption, and can be structured so that the relief is only available if the business was a Maine business, and if the taxpayer remains a Maine resident for a number of years (i.e. five or ten) after the sale. This relief could spread the tax liability over a number of years, or taxes paid would be refunded to the taxpayer over a number of years as long as he/she remains a Maine resident. The goals of this change would be to retain the businessperson as a Maine resident, and retain the business itself in Maine.

- **Maine should offer a partial exemption for public pension income, including federal, state and military pensions.**

  This exemption should specifically apply to pension income from federal, state and military pensions. The Subcommittee was told that 39% of growth in locations for military retirees occurs in states that offer some form of pension income exemption or exclusion and only 4% growth in those states offering no pension income benefit. Also, as the trend in many other states to pass income tax benefits to retirees escalates, Maine may find it increasingly difficult to retain retirees and attract new retirees.

  As this Subcommittee became very aware, and has been noted in tax policy discussions on other issues such as Maine's business climate, sometimes perception becomes reality. A modest tax change benefiting retirees would indicate that Maine is serious about retaining and attracting retirees. This change could occur in a manner similar to those in other states, exempting a certain amount of public pension income, such as $6,000.

D. Marketing

National figures indicate that approximately 400,000 people retire and move to a new state each year, taking with them a lifetime's accumulation of assets, along with substantial retirement incomes which they invest in their new communities. Furthermore, research shows that these retirees spend significant portions of their time (as volunteers) and their money (in cultural and philanthropic causes), resulting in substantial benefit to both state and local economies.

Given the number of satisfied retirees who have chosen to migrate to Maine over the last decade, there is little doubt that through initiating a professional and coordinated marketing effort to better inform retirees on what Maine actually has to offer, Maine could increase both the number of retirees that are attracted to the State as well as the number of Maine citizens that choose to remain as Maine residents upon their own retirement.

1. Creating Leadership

Several premier retirement destination states are making serious marketing efforts in an attempt to attract larger shares of the pool of relatively affluent and mobile American seniors.

The size of the nation's retirement market seeking relocation each year is relatively fixed. Therefore, to take advantage of both the economic and social opportunities that such mobile seniors provide, Maine's task should be to increase its relatively small share of the existing market pie (defined as those people who plan to retire in a state other than the one in which they currently live). Increasing Maine's share of this market simply means *taking business away from other primary retirement destination states*.

Despite having no existing statewide retirement marketing effort in Maine, the state has still been able to prove itself attractive to a small "niche" market of retirees who are seeking out such things as a four season climate, a safe and healthy environment, exceptional recreational opportunities, and friendly like-minded neighbors.

Recommendation:

- **Maine State Government should take a leadership role in developing the infrastructure to support and capitalize on the emerging retirement industry by creating the "Maine Retirement Resource Center".**

  The State of Maine must take a leadership role and commit to a plan whose goal would be to both retain and recruit retirees to Maine. The Marketing Subcommittee recommends that this effort be accomplished through a public/private sector partnership model, adopting a format similar to that used by the Maine International Trade Center. This would entail establishing a vehicle such as a Maine Retirement Resource Center.

The funds to hire a director for such a Center should be appropriated by the State. The remaining funds to operate and staff the Center should come from the private sector.

The director of the Center should be charged with the responsibility to implement an overall marketing plan, to work with a statewide Retirement Industry Association (now in the initial stages of formation), to liaison with the Department of Economic & Community Development, the Office of Tourism, the Maine Chamber of Commerce and Industry and any other state agencies or organizations which further the work of the Center, and to guide the Center towards more private sector funding wherever possible.

The director of the Center should be charged with the responsibility to coordinate with local government, and assist with local planning and other issues related to the potential development of retirement communities.

The Center should be overseen by a Board of Directors chosen by a combination of appointment by the Governor and election by members of a Maine Retirement Industry Business Association (now in the process of being formed by interested Maine businesses). The Board's primary responsibility would be to hire, guide and advise the Director of the Maine Retirement Resource Center.

2. Creating the Right Message for Maine

Maine must compete head-on with other retirement destination states by cogently and factually contrasting ourselves with them, and portraying the many real advantages that Maine currently enjoys over its competitors. Since Maine is not normally thought of as a retirement destination state, this necessarily involves educating potential retirees as to why Maine is in fact a smart choice.

DownEast Magazine has, for two years, published a *Retire in Maine* guide, which has been successful in calling attention to the fact that Maine considers itself a prime retirement destination state. This publication has provided the first real opportunity for an informational and advertising vehicle for the retirement industry as a whole. A retirement marketing campaign sponsored by the state should be initiated to build upon this success and link it to Maine's overall tourism campaign, since research shows that tourism is a primary prerequisite in retirement relocation decisions made by individuals.

Recommendations:

- **Maine must launch a well thought out and well funded marketing campaign closely linked to Maine's tourism promotion**.

  The Marketing Subcommittee recommends that the State of Maine recognize the importance of creating a competitive and professional marketing campaign to support the increasing efforts being made by the private sector to promote retirement at numerous locations throughout Maine.

  The State of Maine should establish a retirement marketing fund who's primary goal would be to create a nationwide recognition that Maine is considered a prime retirement destination state, and to measurably increase the share of the retiree market attracted to Maine.

  Maine should fund the first two years for such a retirement marketing program at the rate of $100,000 per year, and after the initial two year period require a 1:1 match from the private sector for making the ongoing State contribution to such a fund. The Board of Directors of the proposed Maine Retirement Resource Center would be responsible for all decisions regarding creating and maintaining a competitive statewide marketing program aimed at attracting and retaining retirees in Maine.

  Where to Retire magazine has compiled a list of fifteen key factors that retirees list as the criteria on which they base their retirement relocation decisions (**see Appendix I**.). Maine has the capability of ranking high on nine of the fifteen factors. Maine's overall quality of life, for many, will outrank some of the factors which score lower rankings in Maine. A successful marketing campaign for Maine will need to stress Maine's overall quality of life, and put out a strong and clear message on the factors where Maine ranks highly. It should also address those factors where Maine is less competitive, by seeking ways to improve Maine's rankings on these measures wherever possible.

3. Moving Towards Implementation in a Timely Manner

Recognizing that there may be political hurdles that the Governor may face in gaining legislative support for initiating new State funding for the ideas put forth by this Subcommittee of the Governor's Retirement Industry Advisory Council, we advise moving forward on whichever elements are most feasible in the shortest period of time. Since no program currently exists, such an implementation could be seen as the first phase of an initiative that can be allowed to grow based on its demonstrated successes to the communities and citizens of Maine.

APPENDIX A

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APPENDIX B

Demographic Profile of Maine's Older Residents

by
Richard A. Sherwood

There were an estimated 1,244,250 residents of Maine in 1998. Of these, 29% or 360,659 were age fifty and older. The latter were almost evenly divided between those who were age fifty to sixty-four (15% of all residents) and those who were age sixty-five and older (14% of all residents).

1990 to 1998 Growth in the Number of Older Residents

Although the total number of residents increased only 1% between 1990 and 1998; the number of older residents, increased much faster (10%). The number age fifty to sixty-four increased 13% while the number age sixty-five and older increased 7%.

The Geographic Distribution of Maine's Older Residents

Little information has been collected about Maine's older residents since the 1990 U.S. decennial census. Hence, we are limited to that source for a comprehensive picture of the characteristics of these residents and their living conditions.

Much of what we want to know from the 1990 census comes from seven regional samples selected from the original census returns. Because of sampling errors, the data presented here may differ slightly from the complete count data published by the Census Bureau. The seven regions are:

A: Aroostook and Washington Counties
B: Bangor Metropolitan Area, Balance of Penobscot County, Hancock and Piscataquis Counties
C: Androscoggin County Excluding Lewiston Auburn Metropolitan Area, Kennebec and Somerset Counties
D: Knox, Lincoln and Sagadahoc Counties, Waldo County Excluding Bangor Metropolitan Area
E: Lewiston-Auburn Metropolitan Area, Franklin and Oxford Counties
F: Cumberland County
G: York County

The number of older residents in each region in 1990 ranged from 33,300 in region A (Aroostook and Washington Counties) to 60,600 in region F (Cumberland County).

Numbers of Residents of Specified Age in 1990

	Region							
Age	A	B	C	D	E	F	G	Maine
Under 50	86,866	159,536	133,609	92,514	123,390	183,600	123,205	902,720
50-64	16,926	28,939	24,779	17,963	22,906	29,557	20,952	162,022
65 & Older	16,407	27,169	23,333	18,750	24,380	31,016	21,107	162,162
Totals	120,199	215,644	181,721	129,227	170,676	244,173	165,264	1,226,904

The per cent of residents in a region who were age 50 and older ranged from 24.80% in region F (Cumberland county) to 28.41% in region D (the mid-coast).

Per Cent of Residents of Specified Age in 1990

	Region							
Age	A	B	C	D	E	F	G	Maine
Under 50	72.27%	73.98%	73.52%	71.59%	72.29%	75.19%	74.55%	73.58%
50-64	14.08%	13.42%	13.64%	13.90%	13.42%	12.10%	12.68%	13.21%
65 & Older	13.65%	12.60%	12.84%	14.51%	14.28%	12.70%	12.77%	13.22%
Totals	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Per Cent of Older Residents in 1990 Who Were Female or Male

		Region							
	Age	A	B	C	D	E	F	G	Maine
Female	50-64	26.08%	26.57%	26.21%	25.62%	24.60%	24.46%	26.40%	25.65%
	65 & Older	27.89%	29.47%	28.61%	29.00%	30.68%	32.44%	29.95%	29.92%
	Subtotals	53.96%	56.04%	54.81%	54.62%	55.28%	56.90%	56.35%	55.57%
Male	50-64	24.70%	25.01%	25.30%	23.31%	23.84%	24.33%	23.42%	24.32%
	65 & Older	21.33%	18.95%	19.89%	22.08%	20.88%	18.77%	20.23%	20.10%
	Subtotals	46.04%	43.96%	45.19%	45.38%	44.72%	43.10%	43.65%	44.43%
Grand Totals		100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

The Sex Composition of Maine's Older Population

Women, on average, live longer than men. Hence, there were more women than men among Maine's older residents in 1990. The difference was small among residents age 50 to 64 -- 25.65% of Maine's older residents were females age 50 to 64 vs. 24.32% who were males in that age range. But, the difference was greater for residents age 65 and older -- 29.92% of older residents were females age 65 or older vs. only 20.10% who were males age 65 or older. The per cent of older residents who were female varied from a low of 53.96% in region A (Aroostook and Washington Counties) to a high of 56.90% in region F (Cumberland County).

The Urban and Rural Distribution of Maine's Older Residents

A slight majority of older residents (52.25%) lived in rural areas in 1990. However, the converse was true for those age 65 and older -- 26.27% of older residents were persons age 65 and older living in urban areas vs. 23.75% who were 65 and older and living in rural areas. Regional differences were marked and ranged from 29.05% of the older residents of region D (the mid-coast) living in urban places to 62.53% of the older residents of region F (Cumberland County) living in urban places. Urban is here defined as any area with a minimum residential density of one hundred persons per square mile and a minimum total population of 2,500 persons.

Per Cent of Older Residents in 1990 Who Lived in Urban and Rural Communities

		Region							
	Age	A	B	C	D	E	F	G	Maine
Urban	50-64	14.08%	21.33%	21.65%	13.41%	23.81%	27.44%	23.19%	21.48%
	65 & Older	17.38%	22.77%	25.96%	15.65%	30.25%	35.09%	30.45%	26.27%
	Subtotals	31.46%	44.10%	47.62%	29.05%	54.06%	62.53%	53.65%	47.75%
Rural	50-64	36.70%	30.25%	29.85%	35.52%	24.63%	21.36%	26.62%	28.50%
	65 & Older	31.84%	25.65%	22.53%	35.43%	21.31%	16.11%	19.73%	23.75%
	Subtotals	68.54%	55.90%	52.38%	70.95%	45.94%	37.47%	46.35%	52.25%
Grand Totals		100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

The Housing of Maine's Older Residents

More than 70% of Maine's older residents lived in single family homes in 1990 and just under 16% lived in apartments. Most of those living in apartments were age 65 and older while most living in single family homes were under age 65. The regions varied substantially in the proportions living in these types of housing. Fewer than 10% of the older residents of region D (the mid-coast) lived in apartments but, over 22% of the residents of region E (metropolitan Lewiston-Auburn and Franklin and Oxford Counties) did so. Concomitantly, more than 77% of the older residents of region D lived in single family homes while only 64% of the residents of region E did so.

Per Cent of Older Residents in 1990 Who Lived in Different Types of Housing

		Region							
	Age	A	B	C	D	E	F	G	Maine
Single Family	50-64	39.31%	40.79%	39.31%	39.57%	34.79%	38.56%	37.99%	38.63%
	65 & Older	32.62%	32.28%	29.70%	37.63%	29.26%	33.17%	33.70%	32.45%
	Subtotal	71.93%	73.07%	69.01%	77.20%	64.04%	71.73%	71.70%	71.07%
Apartment	50-64	4.31%	3.88%	6.09%	3.55%	8.67%	6.94%	6.45%	5.82%
	65 & Older	7.97%	8.19%	8.64%	6.23%	13.65%	12.33%	9.69%	9.78%
	Subtotal	12.28%	12.06%	14.73%	9.78%	22.32%	19.27%	16.14%	15.59%
Group Quarters	50-64	0.29%	0.52%	0.74%	0.25%	0.34%	0.26%	0.45%	0.42%
	65 & Older	3.46%	3.25%	4.14%	2.24%	4.16%	2.94%	2.56%	3.28%
	Subtotal	3.75%	3.77%	4.89%	2.50%	4.50%	3.20%	3.01%	3.69%
Mobile Home	50-64	6.74%	5.80%	5.14%	5.00%	4.34%	2.67%	3.64%	4.63%
	65 & Older	4.96%	4.53%	5.91%	4.60%	4.23%	2.42%	3.61%	4.23%
	Subtotal	11.69%	10.33%	11.05%	9.60%	8.57%	5.09%	7.25%	8.86%
Other	50-64	0.14%	0.59%	0.23%	0.56%	0.30%	0.37%	1.28%	0.49%
	65 & Older	0.21%	0.17%	0.10%	0.37%	0.26%	0.34%	0.62%	0.29%
	Subtotal	0.35%	0.76%	0.33%	0.93%	0.57%	0.70%	1.90%	0.78%
Grand Totals		100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Fewer than 4% of Maine's older residents were living in group quarters (homes for the aged, nursing homes, group homes, jails, rooming houses, convents, monasteries, etc.). Almost all were age 65 and older. Fewer than 9% of older residents were living in mobile homes while approximately three quarters of one percent were living in other settings (campers, vans, autos, railroad cars, houseboats, tents, etc.).

<u>Length of Time Maine's Older Residents Had Lived in Their Homes</u>

Almost two thirds of Maine's older residents had lived in their homes more than ten and a quarter years in 1990. Region A (Aroostook and Washington Counties) had the highest proportion who had lived in their homes this long. Region G (York County) had the lowest proportion.

Per Cent of Older Residents in 1990 Who Had Lived in Their Homes Varying Lengths of Time

		Region							
	Age	A	B	C	D	E	F	G	Maine
0 to 1.25 Years	50-64	3.78%	4.84%	3.20%	2.53%	4.03%	3.66%	3.83%	3.76%
	65 & Older	3.36%	3.34%	2.36%	2.01%	2.89%	2.96%	2.62%	2.82%
	Subtotal	7.14%	8.18%	5.56%	4.54%	6.92%	6.62%	6.45%	6.57%
1.25 to 5.25 Years	50-64	8.56%	10.17%	10.81%	10.61%	9.40%	10.29%	11.06%	10.18%
	65 & Older	5.49%	6.35%	6.70%	8.14%	8.02%	8.53%	7.33%	7.30%
	Subtotal	14.05%	16.52%	17.51%	18.75%	17.42%	18.83%	18.39%	17.48%
5.25 to 10.25 Years	50-64	5.38%	4.87%	6.66%	7.00%	5.24%	5.01%	8.68%	6.01%
	65 & Older	5.31%	6.76%	4.72%	6.29%	5.32%	5.64%	7.98%	6.00%
	Subtotal	10.69%	11.64%	11.37%	13.28%	10.56%	10.65%	16.65%	12.00%
Over 10.25 Years	50-64	34.73%	33.18%	32.69%	29.78%	31.70%	31.19%	27.34%	31.53%
	65 & Older	33.38%	30.48%	32.86%	33.64%	33.40%	32.72%	31.17%	32.42%
	Subtotal	68.11%	63.66%	65.55%	63.42%	65.10%	63.91%	58.51%	63.95%
Grand Totals		100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Maine's Older Residents Living Alone

Slightly over one fifth of Maine's older residents lived alone in 1990. Of these, more than two thirds were age 65 or older.

Per Cent of Older Residents in 1990 Who Lived Alone or with Others

		Region							
	Age	A	B	C	D	E	F	G	Maine
Lived Alone	50-64	5.96%	5.99%	7.20%	6.94%	6.36%	6.00%	6.25%	6.36%
	65 & Older	15.02%	14.14%	14.21%	14.95%	15.53%	16.52%	13.82%	14.94%
	Subtotals	20.99%	20.13%	21.41%	21.89%	21.89%	22.53%	20.07%	21.31%
With Others	50-64	44.82%	45.59%	44.31%	41.99%	42.08%	42.79%	43.56%	43.61%
	65 & Older	34.20%	34.28%	34.28%	36.12%	36.03%	34.68%	36.36%	35.08%
	Subtotals	79.01%	79.87%	78.59%	78.11%	78.11%	77.47%	79.93%	78.69%
Grand Totals		100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Older Maine Residents with Limiting Health Conditions

Slightly more than one quarter of Maine's older residents had a health conditon in 1990 that either prevented or limited their working, limited their mobility or made it difficult to take care of personal needs. The greater part of these were age 65 or older.

Per Cent of Older Residents in 1990 with a Health Condition Limiting Activities

		Region							
	Age	A	B	C	D	E	F	G	Maine
No Limitation	50-64	41.74%	44.20%	42.50%	41.29%	39.50%	42.93%	43.04%	42.29%
	65 & Older	30.25%	29.74%	30.52%	32.96%	31.58%	34.54%	34.72%	32.08%
	Subtotals	71.99%	73.94%	73.02%	74.25%	71.08%	77.47%	77.75%	74.37%
With Limitation	50-64	9.04%	7.38%	9.00%	7.64%	8.94%	5.87%	6.78%	7.69%
	65 & Older	18.97%	18.68%	17.98%	18.11%	19.98%	16.66%	15.47%	17.94%
	Subtotals	28.01%	26.06%	26.98%	25.75%	28.92%	22.53%	22.25%	25.63%
Grand Totals		100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Older Maine Residents Working Outside the Home

A minority (43.78%) of Maine's older residents worked outside the home in 1989. Four fifths of these workers were under age 65. Only one fifth were age 65 or older.

Per Cent of Older Residents Who Worked Outside the Home in 1989

		Region							
	Age	A	B	C	D	E	F	G	Maine
Worked	50-64	32.36%	34.00%	35.12%	33.08%	34.35%	36.19%	35.79%	34.59%
	65 & Older	8.16%	8.33%	7.94%	10.97%	9.54%	10.37%	8.94%	9.19%
	Subtotals	40.51%	42.33%	43.06%	44.05%	43.88%	46.56%	44.74%	43.78%
Did Not Work	50-64	18.42%	17.58%	16.38%	15.85%	14.10%	12.61%	14.02%	15.39%
	65 & Older	41.06%	40.09%	40.56%	40.10%	42.02%	40.83%	41.24%	40.83%
	Subtotals	59.49%	57.67%	56.94%	55.95%	56.12%	53.44%	55.26%	56.22%
Grand Totals		100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Incomes of Maine's Older Residents

The median 1989 household income of Maine's older residents was equivalent to a 1999 purchasing power of $31,130. The median income of those between the ages of 50 and 64 was equivalent to $42,601 while that of residents age 65 and older was equivalent to less than half that amount -- $20,967.

Median 1989 Household Incomes of Older Residents Measured in 1999 Dollars

	Region							
Age	A	B	C	D	E	F	G	Maine
50-64	$32,901	$42,129	$40,028	$38,932	$40,924	$54,662	$46,826	$42,601
65 & Older	$15,707	$20,100	$18,977	$24,157	$19,704	$24,735	$25,730	$20,967
All Older Residents	$23,145	$30,561	$27,293	$31,197	$29,433	$38,330	$34,991	$31,130

There are three reasons why the household incomes of persons age 65 and older are so much lower than those of the younger cohort. First, the older cohort has many fewer workers in the labor force (or many more retirees). Second, the savings and pensions which provide the incomes of these retirees were accumulated during an earlier era when the average income and savings of workers were not as large as they have been in recent decades. Finally, many more of the older cohort's households are occupied by widows or widowers living alone. These households have access to a single income whereas many married couple households have two incomes.

The median household incomes vary across the regions from $23.145 in region A (Aroostook and Washington Counties) to $38,330 in region F (Cumberland County).

APPENDIX

State Income Tax Reductions Enacted 1995 through 1998

This Appendix summarizes all major income tax reductions—defined as those with bringing about a net decline in taxpayer liability of $50 million or greater—enacted by state legislatures each year from 1995 through 1998. This period represents four sequential years of net state tax reductions, following nine years of net state tax increases. In addition to listing the *largest* income tax reductions, the appendix also includes *any* 1995-98 income tax reductions specifically targeted to (or disproportionately affecting) retirees or older taxpayers. (These entries are shaded.)

Source: National Conference of State Legislatures, Denver and Washington D.C., *State Tax Actions*, annual issues

Tax Reductions Enacted in the 1995 Legislative Session

State	Tax Reduction Summary	Estimated Revenue Reduction (in $million) by fiscal year(s)
Arizona	Adopted family tax credit ($30 per exemption up to $120 per family); increased the standard deduction (from $3500 to $3600 single and $7000 to $7200 joint) and cut rates as follows: 3.25 cut to 3.00; 4.0 cut to 3.5; 5.05 cut to 4.2; 6.4 cut to 5.2; and 6.9 cut to 5.6.	$200 '96
California	Allowed temporary individual rate increase to expire, with rates falling from 11% (for incomes over $200K) and	$255 '96 $643 '97

	10% (for incomes over $100K) to a combined top rate of 9.3%	
Connecticut	Created new 3% rate for first $4,500 single/$7,000 head of household/$9,000 joint in taxable income.	$6 '96 $100 '97
	Adopted credit for up to $400 in local property taxes paid	$100 '97
Delaware	Reduced tax rates as follows: from 6.6% to 6.35% on taxable income between $20K and $25K; from 7 to 6.65% between $25K and $30K; from 7.6 to 7.1% between $30Kand $40K; and from 7.7% to 7.1% for taxable income over $40K	$11.3 '96
Iowa	Adopted pension exclusion of $3,000 for single filers, $6,000 for joint filers	$22 '96
	Adopted 100% deduction for health insurance costs	
Kentucky	Adopted four-year phase-in of exclusion for private pensions and IRAs; CY '95, 25% exclusion capped at $6,250; CY '96, 50% capped at $12,500; CY '97, 75% capped at $18,750; CY '98 and thereafter, 100% capped at $35K	$9 '95 $27.1 '96
Michigan	Increased personal exemption from $2,100 to $2,400 in CY'95 and CY '96 and to $2,500 in CY'97	$69 '95 $91 '96
New Jersey	Adopted an additional 3% to 15% reduction in marginal tax	$259 '96 $600 '97

	rates; rate reductions range from low bracket reduction from 1.7% to 1.4% to highest bracket reduction from 6.58% to 6.37%	
North Carolina	Increased the personal exemption from $2K in '94 to $2,250 in '95 and $2,500 in '96 and beyond; adopted a $60 per dependent child credit for taxpayers with incomes below $100K (joint return)	$235 '96 $244.1 '97
Ohio	Increased personal and dependent exemptions as follows: taxpayer and spouse--from $650 to $750 in tax year '96 and $850 in '97; dependents—from $650 to $850 in '96 and $1,050 in '97	$0 '96 $69 '97
Virginia	Modified the age deduction: old deduction was $14,933 minus Social Security income for taxpayers 65 and over and $7,466 minus S.S. income for taxpayers 62-64; new deduction is $10K (65 and over) and $5K (62-64) in CY'95 and $12K (65 and over) and $6K (62-64) in CY'96 and thereafter (1994 special session)	$8.5 '95 $26.2 '96

Tax Reductions Enacted in the 1996 Legislative Session

State	**Tax Reduction Summary**	**Estimated Revenue Reduction**
Massachusetts	Increased standard deduction	$150 '97

	from $2,200 per person to $2,860	
Michigan	Increased interest and dividend exemption for senior citizens as follows: for single returns, from $1K to $3.5K in '97 and $7,5K in '98; for joint returns, from $2K to $7K in '97 and $15K in '98	$18 '97
New Jersey	Adopted deduction for property taxes paid (or rent equivalent) of up to $10K and adopted tax credit for persons with little or no tax liability (phased in over 3 years)	$100 '97
New York	Continued multiyear reduction; top rate falls from 7.5% to 7.0% on 1/97 and standard deduction increases from $6,6K to $7.4K/single, from $8,150 to $10K/head of household and from $10,8K to $12,380/joint ('95 legislation	$1,700 '97
North Carolina	Allowed nonrefundable income tax credit for tax paid on federal pensions in the '85-'88 tax years	$35.5 '97
Ohio	Provided a 6% to 6.5% (contingent on revenues) across-the-board reduction in rates.	$375 '97
Oklahoma	Adopted a $5.5K private pension exclusion, phased in over 5 years	$1.7 '97

Tax Reductions Enacted in the 1997 Legislative Session

State	**Tax Reduction Summary**	**Estimated Revenue Reduction**
Arizona	Reduced single rates from	$110.8 '98

	3.0% to 2.9% of incomes $0 to $10K; from $300 plus 3.5% to $290 plus 3.3% on incomes $10,001 to $25K; from $825 plus 4.2% to $785 plus 3.9% on incomes $25,001 to $50K; from $1875 plus 5.2% to $1760 plus 4.8% on incomes $50,001 to $150K; from $7075 plus 5.6% to $6560 plus 5.17% on incomes over $150K. Reduced single head of household and married joint rates from 3% to 2.9% for incomes $0 to $20K; from $600 plus 3.5% to $580 plus 3.3% for incomes $20,001 to $50K; from $1650 plus 4.2% to $1570 plus 3.9% for incomes $50,001 to $100K; from $3750 plus 5.2% to $3520 plus 4.8% for incomes $100,001 to $300K; and from $14150 plus 5.6% to $13120 plus 5.17% for incomes over $300K	
Connecticut	Exempted one half of 50% of Social Security income	$1.0 '98 $10.0 '99
Delaware	Liberalized the definition of income qualifying for the $3,000 pension income exclusion for ages 60+	$2.0 '98
Iowa	Reduced marginal rates 10% across the board; formerly ranged from 0.4% to 9.99%; now 0.36% to 8.98%	$103.0 '98 $200.0 '99
Maine	Repealed the revenue cap as of 7/97; increased the personal exemption from $2,100 to $2,150 and	$43.8 net increase '98

	removed low-income filers from rolls as of 1/97	
Massachusetts	Adopted a temporary increase in personal exemption to return $84 million to taxpayers; one-time impact	$84.0 '98
Missouri	Began phase-in of a deduction for private-source retirement benefits	$2.0 '98
Nebraska	Reduced rates for TY ‘97 and TY ’98 as follows: from 2.62% to 2.51%; 3.65% to 3.49%; 5.24% to 5.01%; and 6.99% to 6.68%. Increased personal exemption credit by $10.	$82.7 '98
North Dakota	Provided a credit of up to $4K for in-home care to avoid nursing home confinement	No estimate '98
Ohio	Authorized tax preferences for medical savings accounts	$3.3 ‘98
Ohio	Made permanent across the board rate reductions as a result of general fund surpluses.	$256.2 '98
South Carolina	Increased the maximum deduction to $11,500 for people 65 and older	$2.7 '98
Wisconsin	Conformed to federal IRC by (1) excluding from income amounts received under long-term care insurance contracts, and (2) adopting medical savings accounts provisions	$6.1 '98

Tax Reductions Enacted in the 1998 Legislative Session

State	Tax Reduction Summary	Estimated Revenue Reduction
Arizona	Raised the minimum personal income tax threshold and reduced tax rates across the board, averaging 2.5 percent over two years.	$30 '99 $50 '00
California	Adopted a personal income tax renter credit of $120 for joint filers whose incomes are less than $50K and $60 for single filters whose incomes are less than $25K	$133 '99 $141 '00
	Increased the personal income tax dependent credit from $120 to $253 in 1998 and from $222 to $227 in 1999	$612 '99 $22 '00
Connecticut	Increased the levels of taxable income subject to the 3% tax rate from $15K to $20K for joint filers; from $12K to $16K for heads of households; and from $7.5K to $10K for single filers. Withholding tables will be adjusted beginning July 1998 so that the revenue loss occurs in FY 1999.	$75 '99 $92 '00
Delaware	Increased the pension income exclusion from $3K to $5K for those age 60 and older	$0 '99 $5.1 '00
Delaware	Increased the standard deduction for single taxpayers from $1,300 to $3,250 and for married filing singly from $800 to $2K	$8 '99 $17 '00

	Reduced personal income tax rates from: 3.1% to 2.6% on incomes from $2K to $5K; from 4.85% to 4.3% on incomes from $5K to $10K; from 5.8% to 5.2% on incomes from $10K to $20K; from 6.15% to 5.6% on incomes from $20K to $25K; from 6.45% to 5.95% on incomes from $25K to $30K; and from 6.9% to 5.95% on incomes from $30K to $60K and on incomes over $60K	$37.9 '99 $96.8 '00
Georgia	Increased the retirement exclusion from $12K to $31K	$8.6 '99
Georgia	Increased the personal exemption from $1,500 to $2,700; increased the dependent exemption from $2,500 to $2,700; and increased the deduction for those age 65-plus and for blind people from $700 to $1,300.	$205 '99 $209 '00
Hawaii	Reduced personal income tax rate from 10% to 8.757%	$80 '99 $159 '00
Illinois	Began phasing in an increase in the personal income tax exemption from $1K to $2K: exemption will increase to $1,300 in TY 1998; to $1,650 in TY 1999 and to $2K in TY 2000.	$96 '99
Iowa	Adopted a capital gains exemption for business sales.	$18 '99 $18.5 '00
	Increased the pension income exclusion.	$20 '99

		$18 '00
Massachusetts	Adopted a permanent increase in the personal exemption.	$320 '99 $440 '00
	Adopted a temporary increase in the personal exemption to expire Jan. 1, 1999.	$200 '99
	Lowered the rate on interest and dividends from 12% to 5.95%.	$177 '99 $238 '00
Missouri	Increased the senior citizen/disabled veteran property tax credit.	$21 '99 $21 '00
	Increased to $1K the deduction for dependents older than age 66.	$3 '99 $30 '00
Nebraska	Adopted permanently the 5% temporary rate reductions passed in 1997; increased the personal exemption credit by $10; and made self-employed health insurance premiums fully deductible. Also increased the refundable child care credit for adjusted gross income below $22K.	$27.6 '99 $75.2 '00
New Jersey	Excluded military and survivor pensions from personal income tax.	$5.3 '99 $5.5 '00
North Carolina	Adopted a temporary credit of 15% of long-term care insurance premiums, with a maximum of $350 per policy, to expire in 2004.	$0 '99 $8 '00
Pennsylvania	Excluded from personal income gains on the sale of a principal residence.	$30 '99 $31.5 '00

	Increased the “poverty” exemption.	$57.1 '99 $49 '00
Wisconsin	Reduced personal income tax rates by 1.5%: from 4.85% to 4.77%; from 6.48% to 6.37%; from 6.87% to 6.77%.	$83.4 '99 $83.4 '00
Maine *(This information was not included in the NCSL tax data, but the omission was corrected for us by Michael Allen of Maine Revenue Services.)*	Additional increases in personal exemption and introduction of homestead exemption	around $35 million in both ’98 and ‘99

APPENDIX C

(to access this large file go to this URL: http://janus.state.me.us/spo/appenc.pdf)

APPENDIX D

Observations on Preserving Local Culture

Maine has more to offer than geographic appeal and a network of amenities and support services for its citizens. People are attracted to its cities and towns as much for the sense of community as for any other reason. Social and artistic amenities, health services, transportation, etc. are major elements that contribute to the sense of community, but not the most important. People look above all else for a sense of belonging. That sense comes from the people who become your friends and neighbors.

Our state is largely comprised of small towns where a relatively small influx of population can have substantial impact on the sense of community. There are often native populations which have a traditional orientation towards a specific lifestyle and livelihood, as in the case of fishing towns. There may exist a social fabric where the history of relationships is important on an every day level. Let us make potential citizens aware of the very special character of the small towns and the benefits of becoming a part of it. If we are successful, we will achieve our economic goals while strengthening the social fabric. They, as part of the community, will help build its future.

The essence of our efforts is prosperity through growth. Most larger cities and towns have grappled with growth management in a realistic sense, most small towns have not. Our program must also educate the local populations and their governments about the opportunity and respect their informed judgment as to benefits and how they are achieved.

Our goal is to create a situation where an influx of retired people with money to spend in the local area will improve the economy for the people living there and enrich the sense of community rather that divide it. The type of person who will help achieve these ends will be attracted to our state by a program of education which emphasizes that unity. Maine does not want to attract people to retirement communities, but rather attract retired people to its local communities.

APPENDIX E

Institutes for Learning in Retirement

College towns have proved to be attractive to the kind of retiree Maine has been seeking, but college towns that have Institutes for Learning in Retirement in place are especially attractive.

At present there are over 300 Institutes in colleges and universities in the U.S., none of them in Maine. The number of members in each Institute ranges from 40 to 800, but the average is about 220, which means that over 50,000 Third Agers are currently affiliated with post secondary education through this vehicle.

Despite great diversity in affiliation, governance, participation, demographics, and even philosophy, the Institutes' similarities are sufficient to link them in a common cause. In fact, the majority of them have been administratively linked since 1987 to Elderhostel's Institute Network which serves as a coordinating mechanism, publishes a newsletter, and holds workshops across the country to help new Institutes get started.

Typically, the host college or university provides space and a varying degree of administrative guidance. The Institutes are usually self-governing, making their own decisions about program guidelines, courses, dues and fees. Some are so close to financial independence through membership dues and course fees that they get no direct financial support at all from the host college, though they usually have access to an office, classroom space, phones, and copying facilities.

The distinguishing thing about Institute courses is that they are largely peer-designed and peer-led. Institute members tend to be highly educated (52.5 percent hold graduate or professional degrees) and many of them have previously taught. On occasion, college faculty may be asked to give a lecture or course, and in some cases graduate students have been invited to talk about their research projects or run a seminar on a topic growing out of their research, but these are not the norm.

At very little expense to the college or university, Institutes bring diversity to the campus and serve as models of lifelong learning for younger students. They also create a cadre of loyal supporters for the host institution, which loyalty is expressed as generosity at fundraising time as well as volunteers for jobs that stretch the college's ability to staff offices and keep libraries and museums open longer hours. On some campuses, professors have even found qualified elder learners willing to read student papers, grade exams, and lend a hand with research projects.

APPENDIX F

Funding Mechanisms for the Arts

There is always a great need for funding to support the Arts, but if they are the attraction that we have identified for new residents, it is incumbent on us to sustain and nurture their survival and growth. A study should be made of the ways other states are finding to finance the Arts. Some methods commonly used are:

1. Hotel/motel tax: traditionally split between visitors and Convention Bureaus, Chambers of Commerce and the Arts.

2. Dedicated use taxes: levied on video rentals, for example, could be dedicated to the Arts, supporting promotion and infrastructure.

3. Improvement taxes: new building and industry gives a percentage to the Arts.

4. Southern Maine Art Zone with tolls benefiting Maine Arts

5. Corporate filing fees: successful in Florida

6. Percentage of lottery receipts.

7. Percentage of natural growth on existing taxes.

8. Any and all other ideas that may raise an endowment fund for the Arts in Maine.

APPENDIX G

Volunteerism Agencies

RSVP

RSVP (Retired Senior Volunteer Program) provides meaningful volunteer opportunities for adults, primarily in community activities or nonprofit organizations. Volunteers include homemakers, retired executives, academic and office workers, and persons with physical or mental disabilities. They fill a wide variety of positions including museum guides, computer consultants, tutors, library and hospital aides, drivers, researchers, supplementary teachers, and mentors for young people. Each volunteer is interviewed to determine his or her qualifications and skills, placed in an appropriate position, and followed up to make sure both the agency and the volunteer are satisfied.

There are 5 RSVP units in Maine. About half of their funding comes from the Federal government under the Corporation for National Service; the balance is provided by state and county governments, private donations and fundraising.

The chapter in Cumberland and York counties has 700 volunteers doing 70,000 hours of volunteer work each year with 125 agencies.

SCORE

SCORE (Service Corps of Retired Executives) provides opportunities for retired business executives to assist small businesses in the start up phase or with operational problems. The volunteers act as counselors to particular clients and teach workshops on subjects of broader interest. They come from a range of business backgrounds, ranging from large manufactures to small retailers, and include both top level executives and specialists in accounting or marketing. Each volunteer is interviewed to determine his or her expertise and experience before assignment.

There are 8 SCORE chapters in Maine with 215 members. Last year they conducted 1700 free client counseling sessions and taught 2,250 in workshops. About one quarter of Maine SCORE's funding comes from the United States Small Business Administration (SBA); the balance is provided by modes charges for workshops, private donations and fundraising events.

Nationally, the SCORE program has 400 Chapters, 13,000 members and made one quarter of a million contacts last year.

REACH OUT ALLIANCE

The Maine Volunteer Connection, Inc., recently announced the formation of the Reach Out Maine Alliance to assist Maine communities in addressing their problems through voluntary and community services. In addition to MVC, the Alliance is composed of Maine Independent Living Services (MILS), Intersect International, Inc. (III), and the Maine Chamber and Business Alliance. Each member of the Alliance has assumed a specific responsibility as follows:

- MILS is establishing a statewide database of resource information, volunteer opportunities, volunteer based nonprofits, and other resources.

- III is establishing a technical services and training institute for individuals, agencies, organizations and businesses in Maine to help them better serve their constituencies. It is also developing a bank of consultants to assist community agencies.

- The Maine Chamber and Business Alliance is establishing a statewide corporate volunteer council to assist Maine corporations and businesses in encouraging employee volunteerism.

- MVC will coordinate the program and will provide expertise in the preparation of programs and projects called for by communities and agencies.

APPENDIX H

People in the 50+ Market:

- have 77% of the nation’s personal finances
- have 80% of the money in savings accounts
- have 68% of all money market accounts
- have 50% of all corporate stocks
- buy 48% of all new domestic cars
- own their own houses in 77% of the cases
- Own houses worth 20% more than the U.S. Average
- Have median family income of over $33,000
- Have incomes mostly unaffected by national economic trends

Source: Dr. Mark Fagan, retirement consultant and professor, Department of Sociology and Social Work, Jacksonville State University, Jacksonville, Alabama

APPENDIX I

Key Factors in Choosing a Retirement Community

(in order of importance to subscribers)

1. Low crime rate
2. Good hospitals nearby
3. Mild climate
4. Low cost of living
5. Low overall tax rate
6. Low housing cost
7. Friendly, like-minded neighbors
8. Major city nearby
9. No state income tax
10. Good recreational facilities
11. Active social/cultural environment
12. Airport with commercial service nearby
13. Continuing-care retirement communities available
14. Friends, relatives in the area
15. College town with adult education available

Source: R. Alan Fox, President, Vacation Publications, and Publisher, “Where to Retire” magazine, Houston, Texas

Appendix J

Annual Migration Projections: Age 65 and older

Rank: 1998	State	1998	2000	2005	2010	2020
1	Florida	27,653	27,123	26,055	27,589	42,612
2	California	10,504	10,877	12,393	14,788	22,433
3	Arizona	9,279	9,313	9,551	10,546	15,280
4	Nevada	5,077	5,140	5,366	5,913	8,304
5	North Carolina	4,310	4,269	4,256	4,544	6,767
6	Washington	3,890	3,912	4,026	4,323	5,595
7	Oregon	3,148	3,162	3,240	3,494	4,612
8	Virginia	1,985	1,935	1,851	1,843	2,662
9	Maryland	1,250	1,220	1,148	1,087	1,369
10	Colorado	957	1,012	1,197	1,349	1,567
11	Utah	832	852	921	1,033	1,416
12	Hawaii	794	833	949	1,110	1,651

[1] This compilation of research findings and aging-related statistics was supported in part by grants from the National Institute on Aging.

[2] National Center for Health Statistics, *Health, United States, 1999*.

[3] U.S. Bureau of the Census, *65+ in the United States*, 1996.

[4] James Vaupel, James Carey et al, "Biodemographic Trajectories of Longevity," *Science*, May 1998.

[5] Kenneth Manton, Larry Corder and Erik Stallard, "Chronic Disability Trends in Elderly United States Populations: 1982-1994," *Proceedings of the National Academy of Sciences*, 1997.

[6] Vicki Freedman and Linda Martin, "Understanding Trends in Functional Limitations Among Older Americans," *American Journal of Public Health*, 1998.

[7] Herbert Pardes, Kenneth Manton, Eric Lander, Dennis Tolley, Arthur Ullian and Hans Palmer, "Effects of Medical Research on Health Care and the Economy," *Science*, 1999; Burton Singer and Kenneth Manton, "The Effects of Health Changes on Projections of Health Service Needs for the Elderly Population of the United States," *Proceedings of the National Academy of Sciences*, 1998.

[8] Decennial U.S. census data, and unpublished data from U.S. Bureau of labor Statistics; reported in Richard Burkhauser, Kenneth Couch, and John Phillips, "Who Takes Early Social Security Benefits: The Economic and Health Characteristics of Early Beneficiaries," *The Gerontologist*, 1996.

[9] U.S. Bureau of Labor Statistics, "Employment Status of the Civilian Non-Institutional Population 55 Years of Age and Over by Single Years of Age, Sex, and Race, Annual Average 1998 (based on CPS)," unpublished table.

[10] Pension and Welfare Benefits Administration, *Private Pension Bulletin*, Spring 1999.

[11] James Poterba, Steven Venti and David Wise, "Implications of Rising Personal Retirement Saving," in D. Wise (ed.), *Frontiers in the Economics of Aging*, University of Chicago Press, 1998.