

## TAX

# High earners save 40% or more by moving from NYC to Austin, study finds

By [Elijah Nicholson-Messmer](#) July 31, 2023, 9:00 a.m. EDT 4 Min Read



# Financial Planning

In an analysis conducted by the financial services referral firm, cost of living and taxation differences were calculated to see how much high earners — defined as an annual salary between \$150,000 and \$650,000 — would save by moving from expensive cities like New York City, San Francisco and Chicago to Austin.

Analyst Patrick Villanova used tax data from SmartAsset's paycheck calculator to compare federal, state and local taxes, using base assumptions for a single tax filer. Cost of living premiums were acquired from the Council for Community and Economic Research's Q1 2023 data, which includes pricing on necessities such as housing, transportation, utilities, groceries, health care and miscellaneous goods.

High-earning New Yorkers can save between 40% and 44% of their salary simply by moving to Austin, with workers toward the bottom of the high-earning window seeing the most benefit. A worker earning \$150,000 annually would see savings of \$64,811 by making the move south, according to SmartAsset.

## NYC to Austin Savings

Income level	Total savings in Austin	Percentage of salary value saved	Tax savings (points)	NYC pay value after COL and taxes	Austin pay value after COL and taxes
\$150,000	\$64,811	43.21%	9.28	\$42,774	\$107,585
\$250,000	\$105,324	42.13%	9.7	\$68,152	\$173,476
\$350,000	\$143,842	41.10%	10	\$91,541	\$235,383
\$450,000	\$182,360	40.52%	10.16	\$114,931	\$297,291
\$550,000	\$220,769	40.14%	10.26	\$138,229	\$358,998
\$650,000	\$258,212	39.72%	10.33	\$160,717	\$418,929

Source: SmartAsset

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tax, high earners are taxed anywhere from 27% to 35%, compared to NYC's range of 37% to 45%, according to the study.

"Because taxes have the first claim on an income, they typically take a higher chunk of change out of someone's purchasing power, even if cost of living premiums are particularly high in an area like New York City or San Francisco," said Jaclyn DeJohn, the managing editor of economic analysis at SmartAsset. "Personal choice — like where to live, what to eat, hobbies, etc. — also plays a large role in how much cost of living premiums affect a person's earnings, unlike the indiscriminating nature of income taxes."

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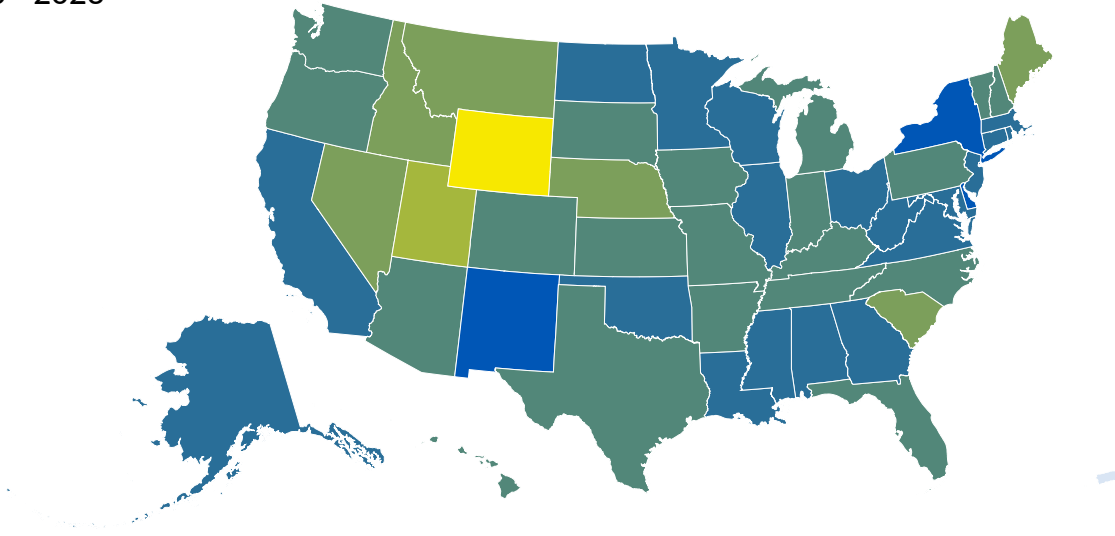
#### The migration south

As [more employers have gone remote](#) since the start of the pandemic, some workers have left expensive cities for more affordable options like Austin, but the trend is nothing new, according to Paul Ayotte, a founding partner of Fidelis Capital in Tampa, Florida, who specializes in helping clients move their households across state lines.

Financial advisors themselves have been popping up in no-tax states like Texas and Florida at increasing rates over the last few years.

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2020 2023



Source: CFP Board professional demographics



Between 2020 and 2023, the number of certified financial planners [increased at more than twice the rate](#) in no-tax states like Texas and Tennessee, compared to high-tax states like New York and California. In that span, the number of CFPs in Texas rose 13.4%, compared to New York's 4% increase.

Despite the savings, the decision to actually make such a move might not be so clear-cut.

"Taxes are an inherent part of our financial lives, and I would not advise a client to move solely for tax reasons. Building a new life is challenging in and of itself," said Erika Safran, the founder of NYC-based Safran Wealth Advisors. "Quality of life, income, work and family relationships are better drivers for life success. If maintaining work and family relationships in the new lower-tax state is possible, it may be worth considering."

## A \$90,000 caveat

Earnings differences can also play a significant role in total take-home pay. As of May 2022, the average personal financial planner in the New York City metropolitan area earned \$208,250 annually, according to the [U.S. Bureau of Labor Statistics](#). The average financial planner in Austin makes \$118,770 a year, roughly 43% less than their NYC-based peers.

The difference is less dramatic for the other cities included in the study, San Francisco and Chicago, where financial planners on average make an annual wage of \$170,100 and \$136,780, respectively.

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savings of 33% by moving to Austin, whereas Chicago-based advisors would only see 12% in savings, according to the study.

Advisors pointed out that [property tax](#) in Austin is another significant factor that can eat into potential savings.

"While high earners will no doubt save on income taxes, and perhaps some cost of living, they will pay a lot more in property taxes (and indirectly if they rent versus own)," said Kashif Ahmed, the president of American Private Wealth in Bedford, Massachusetts. "High earners are likely to purchase larger, more high-end homes, especially when coming from more expensive property states, but that larger home is going to have even larger property taxes due."

Inflated property taxes may end up "zeroing out" any savings gained from lower cost of living premiums and income tax rates, according to Ahmed, who owns multiple rental properties in Austin.

Property taxes and home insurance expenses were not included in the Council for Community and Economic Research data used by SmartAsset, as "there was not a reliable way to include the data," according to DeJohn.

Along with regional differences in average earnings, property tax differences may complicate the decision for some high earners eyeing a move to cities like Austin.

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