

BusinessWeek

Is Living in a High-End Suburb Worth It?

Even residents of upscale suburbs are asking if they wouldn't be better off living somewhere with lower taxes and cost-of-living expenses

By Prashant Gopal

The economic downturn, after ravaging poor and middle-class neighborhoods, is now hammering affluent enclaves. Even in the nation's priciest neighborhoods, homeowners are facing economic uncertainties, and some are beginning to wonder whether they're paying too much for prestige.

The cost of living in Atherton, Calif., Highland Park, Tex., or Scarsdale, N.Y., goes well beyond what it costs to purchase a home there. Mansions in high-end communities have oversized tax, maintenance, utility, and mortgage bills. And then there's the cost of keeping up with the Joneses: shopping at boutiques and gourmet stores, country club memberships, private school tuition, soccer for the kids, the gardener, the landscaper, and the nanny.

Many residents of these suburbs have "essentially taken a step back," says Kevin J. Meehan, president of Summit Wealth Advisors in Itasca, Ill. "And they are either looking at downsizing within those communities or moving to a totally different venue because of the stress they're experiencing with the cost of living in their suburbs." Empty nesters, in particular, may question why they are still living in communities with high school taxes when their children are long gone.

BusinessWeek.com, working with national real estate researcher OnBoard, chose the most expensive suburbs in each state based on cost of living, mortgage and utility payments, median home prices, and property taxes. Residents have long made financial sacrifices to live in places such as Mountain Brook, Ala., Lake Oswego, Ore., Winnetka, Ill., and other exclusive towns on our list. They're paying for a lifestyle that includes excellent public schools, low crime, gorgeous neighborhoods, and excellent parks and recreation systems.

"Buyer's Market for Luxury"

But residents are also paying a premium for the cachet that comes with having a certain Zip Code. They want to live with their peers, go to the same country clubs, and send their children to the same schools. For those who aspire for a lifestyle upgrade, there's good

news. Home prices in upscale towns are falling even as mortgage rates hover near historic lows. Luxury homes are lingering on the market not just because buyers are losing jobs and wealth, but because jumbo loans are difficult to get.

But even buyers who can afford the discounted homes in upscale communities have to consider the everyday costs, says David P. Brady, a financial planner and owner of Brady Investment Counsel in the Chicago suburb of Geneva, Ill. "It might look like a great value, but once you think about all the costs...you might be a lot better off staying where you are," he says. "On the other hand, if it's your dream and you can afford it and understand the costs, we really are in a buyer's market for luxury."

Bob Goldman, a financial planner in Sausalito, Calif., says that he told a married couple, both around age 50 and earning a combined salary of more than \$200,000 a year, that they would run out of money in about 30 years (based on his projections) unless they left California and moved to a more affordable state such as Washington, which has no state income tax. He suggested they wait four years until their two children graduate from high school. If they moved to Washington, "they would be fine and would be able to live out to 97," he says, without even having to reduce their spending.

Would-Be Sellers, Cut Costs Instead

Of course, moving typically requires selling an existing home in one of the worst housing markets in history. Ilyce Glink, a real estate columnist and publisher of ThinkGlink.com, says it's better to cut out the cable, the gardener, or the nanny than to begin the long, painful job of selling a home. And if other cost-cutting measures don't work, consider finding a tenant and moving to a less-expensive rental home elsewhere, she says. "It is easier to make a lifestyle change and not care about what other people think than to sell your house in the worst housing market in years," Glink says. "You have to stop caring about what the Joneses are doing. Frankly, they're in a similar position to what you are in."

Scott Bombeck, president of Acanthus Associates in Holmes, Pa., agrees that it doesn't make sense to sell right now. As for buyers, he says they should consider what they're getting for their money. "Unless somebody said 'I'm a blue blood and need to be with blue bloods,' I would be saying, 'Why not look at more up-and-coming neighborhoods?... You might find that it is just as nice, and it just doesn't come with the price tag of the prestige.'"

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