Retirement Communities Range in Scope From 'Party Central' to Assisted Living

Aging in Place? Consider Plan B

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According to a recent survey by AARP, 76% of all adults over age 50 want to stay in their own homes as they age. Aging in place resonates emotionally with many people, but from our observations of friends, family and clients, continuing to live on your own as you age isn't practical for everyone. It'll only work well if you have children who live close by, want to help, have lots of spare time and have the skills to manage health and home care. In other words, most of us should be thinking about other options — a Plan B.

Retirement Living Landscape

There are many types of communities that serve an aging population, including: active adult communities restricted to those over 55, assisted living facilities, nursing homes and memory care facilities for those whose memory loss doesn't allow them to live independently. Some communities offer a hybrid of independent living and assisted living, but no health care.

Only continuing care retirement communities contain the full spectrum of independent living, assisted living, memory care and skilled nursing. Typically, a new resident will move into independent living — a home or apartment — and transition as needed through the other levels of care. These CCRCs are sometimes referred to as life plan communities.

Continuing Care Retirement Communities

To be certified as a CCRC, a community must provide a combination of independent living, assisted living and health care. The community may be run for profit by a corporation or in a not-for-profit organization where the funds in excess of expenses are spent solely on the community. Some communities are standalone entities, while others are part of a network of communities run by a management company.

There are many thriving for-profit CCRCs, as well as not-for-profit CCRCs with multiple locations. For-profit communities may give you less value for your money, since they have to satisfy corporate shareholders. Some CCRCs with multiple locations may be supporting a less successful campus at the expense of a more appealing one.

Each community has its own culture. Some are what previous generations called "old folks homes." Some feel more like active adult communities, while others are "party central." The first step in evaluating a community is to visit it.

When you visit, pay attention to how easy it is to strike up conversations. Even better, see whether residents reach out to talk when they realize you're interested in the community. Observe how active the residents' council is and how involved residents are in community affairs.

Read council minutes and community newsletters, not just marketing materials. See whether you can gauge how responsive the administration is to residents' concerns and whether the community is keeping up to date with the changing generations. For example, baby boomers tend to prefer casual dining and larger gyms more than the prior generation.

The Cost of CCRCs

Most CCRCs require an entrance fee based on the square footage of the house or apartment you plan to occupy and whether one or two people will occupy it. Often you'll have an option to pay a larger entrance fee in exchange for a guarantee that your estate will be reimbursed a percentage of that entrance fee, typically 50% to 90%. In other cases, you may pay an entrance fee and the amount your heirs will be reimbursed declines as the years go by so that they may receive nothing. CCRCs in areas with a higher cost of living will usually have more expensive entrance fees.

The other part of your financial obligation is the monthly fee. That fee will cover some food costs, commonly a set number of meals a month or a set number of dollars to spend on food a month, cleaning service, home maintenance, basic cable, use of facilities and more. A portion of your entrance fee or your monthly fee may be tax-deductible.

Most contracts for life plan communities fall into one of four types, labeled Type A through Type D:

- **A. Extensive or Full Life**
- **B. Modified Life**
- **C. Fee-for-Service**
- **D. Rental**

Type A contracts tend to have higher entry fees than others. These contracts typically provide for unlimited assisted living and nursing care at no additional fee. Type B contracts provide some care but will typically charge for additional health care if your needs progress. Type C contracts will be less expensive upfront than A or B, but the resident will typically have to pay separately for health care services. Type D contracts provide the lowest cost of entry but also the highest ongoing cost for health care and additional services.

Every community differs on what's covered, so you should check on the details. Most communities' monthly fees are structured to change as you progress through the varying levels of care — assisted living, skilled nursing and memory care — but some charge a higher fee that'll stay at the same level even if you need more care. As with all institutions, fees will go up over time. To get an idea of how much annual costs might rise, ask to see the past five years of fee increases. We recommend you consult with your financial planner to assess the fees and your ability to pay them.

Assessing the Fiscal Health of a Community

The other part of this financial decision is to determine whether a community's operated in a fiscally responsible manner. We recommend your attorney and your accountant look at documents outlining your legal and financial obligations and those documents denoting the financial position of the community, e.g., audited financial statements, annual report, projected five-year budget, etc.

Your attorney and accountant should consider a variety of key indicators, such as: occupancy rates, days of cash on hand, net operating margins, long-term debt, and unrestricted cash and investments. Gather as much information as you can and ask questions. We've found it helpful to talk to the resident who's the chairperson of the resident financial committee and consider the backgrounds of those on the board of directors. Ideally, you'd want to see an occupancy ratio above 90%, a debt-to-cash ratio of around 35% and close to one year's worth of cash on hand. These aren't hard and fast thresholds but are good benchmarks for a fiscally healthy community.

If all this seems like a lot of "homework," it is. This is a complex decision, both psychologically and financially. You want to be able to move into a community and focus on having fun with your peers rather than being concerned about your financial position or the fiscal health of your own community.

Resources

A good resource for starting a search for a CCRC is carf.org. CARF is the only accrediting organization for CCRCs and less than 25% of CCRCs are accredited. It's voluntary for a community to submit to accreditation, but an unaccredited community should at least have a good explanation of why they've chosen not to do so.

In many areas, there are advisers, often called senior living advisers or elder care advisers, who are knowledgeable about the various local communities and can help you with your search. For a fee, they'll gather background information and health history and help you find a community that meets your needs, both socially and medically.

When you've made your decision and are ready to move, there are certified senior move managers as well as senior relocation and downsizing companies that can help with the transition. Often a move is being made from a house where you've lived for 20 years or more, so there's some significant downsizing and decluttering work to be done.

For many this can be a significant roadblock, so hiring an expert to come in and take on the burden may be money well spent. In addition, many relocation companies will offer a white glove move with more personal services such as unpacking. Often, CCRCs will offer some of those services as part of their move-in package. The idea is that not only will all the boxes be unpacked, but also the bed will be made and your new home will be ready for you when you open the front door.

Conclusion

As we've visited CCRCs and advised clients who've made the move, they uniformly remarked first on how they wished they'd made the move sooner and second on how they feel they've given their children the gift of not having to worry about their care as they age.

You may never need the daily assisted living care and you may be that fortunate person who never goes to the hospital or needs skilled nursing. The primary benefit of a CCRC is that, in the event that you do need that care, you're able to remain in the community in which you're already at home.

In the U.S., we tend to have a negative idea of aging. In contrast, our clients at CCRCs tell us that they feel as though they're back in college again and want to put off "graduation" as long as possible. A bundle of worry has been lifted from their shoulders because they know they've planned for the times when things go bump in the night!

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