

Living it up in retirement

Dean and Marion Snyder moved to a place with a concierge, pool, putting green, fab food - and health care for life. What you should know about an increasingly popular way to retire.

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(Money Magazine) -- There's retirement living, and then there's living it up in retirement. The latter is part of the draw of one of the fastest-growing retirement options - the continuing-care retirement community. These CCRCs, as they're called, often look a lot more like four-star resorts than old folks' homes.

Amenities may include gourmet restaurants, infinity pools, gyms, spas and concierges. Pennsylvania's Beaumont at Bryn Mawr, home to Dean and Marion Snyder, has a cinema and a putting green.

But the greatest luxury of CCRCs isn't any of these. It's this: health care for life.

This type of community promises "aging in place," typically allowing residents to live independently as long as they can and giving them access to more care - on the same campus - when, and if, they need it.

The concept has taken off as consumer awareness has grown and developers have mastered the concept, says Kathryn Brod, senior living research director at Ziegler Capital Markets, an investment banking firm.

Private companies such as Classic Residence by Hyatt and Erickson Retirement Communities have helped up the amenities ante, making it even more appealing. Today there are 1,800 CCRCs nationwide, and they've been growing at a rate faster than nursing homes and assisted-living facilities combined.

As with any kind of housing these days, however, supply has recently begun outpacing demand. That means now might be the best time in years to get into a CCRC (previously many had waiting lists), and get a deal (though it'll still be pricey).

So you might want to consider a continuing-care retirement community for Mom, Dad or even yourself. But you'll need to understand that these facilities aren't for everyone. The glossy brochure won't tell you everything you need to know, but we will.

There's a lot to like

A continuing-care community typically offers access to three levels of long-term care on one property, and residents can move between them as need be.

First is independent living, in which residents live on their own in an apartment, townhouse or house. The idea is to move in while still healthy - average entrance

age is 79, according to Ziegler - and able to take advantage of the educational lectures, bike paths, water aerobics and the like.

Level two is assisted living, which provides help with daily tasks such as bathing and dressing. Level three is 24-hour nursing-home-style care. (You can find a list of facilities that follow the CCRC model at snapforseniors.com.)

Ask residents what they like most, and the phrase you'll likely hear repeated is "peace of mind." Those who move in have chosen for themselves where they'll spend the rest of their years. They know they'll always get the help they need. And couples are assured that they'll always be near each other, even if one person needs more care.

The facilities also provide a sense of community and a built-in support network. Plus, for adult children there's security in knowing that, once their parents move in, they're set - no worrying about finding a good facility in the midst of a crisis. Really, the amenities are just the cherry on the sundae.

But it doesn't come cheap

That peace of mind will cost you. CCRCs usually charge an entry fee, and always a monthly fee. These vary widely, depending on how luxurious the place is, what size home you opt for, whether you're moving in alone or with a spouse, and how much future care is covered. In one way or another, you pay for your long-term care, "rent," housekeeping, and some meals.

The up-front cost, if there is one, generally runs from \$20,000 to more than \$1 million, and averages around \$250,000, according to research group National Investment Center for the Seniors Housing and Care Industry (NIC). Usually, this doesn't buy property or equity, just a ticket in (more on this later).

As for monthly fees, one facility can offer several ways to pay. In some contracts fees remain steady no matter what stage of care you're in; in these, the average is \$2,750 a month.

Other plans are la carte, in which case you might pay \$2,500 for independent living and \$7,000 to \$8,000 for skilled nursing care (vs. an average \$6,500 a month for a private room at a traditional nursing home, per Genworth Financial).

Some of the fees may be tax deductible. But still, assuming Mom remains in independent living for 15 years and pays \$2,000 a month, she's looking at an outlay of \$360,000 - plus entrance fee.

On top of that, she should budget for an annual 3% to 6% increase in the monthly fee, says Betsy Mayes, an accounting professor at University of North Carolina at Asheville who studies CCRCs. If it's a pay-as-you-go plan, and your parent needs nursing care, it'll come out significantly higher.

What's more, Mom will still have other living expenses - like phone service, entertainment and whatever medical costs insurance or Medicare don't pick up (say, co-pays on doctor visits). "So if it's a stretch to pay going in, it'll only get worse," Mayes warns.

The CCRC has a vested interest in your being able to foot the bill years down the road, especially if it's a nonprofit that promises not to kick out residents who run out of money. So you can expect the staff will run your numbers. Generally, they want to see one to two times the entrance fee in assets and one to two times the initial monthly payment in monthly income, says Ziegler's Brod. Even so, have a financial adviser (look for one at napfa.org) help you decide if a CCRC in general, and what plan in specific, makes sense for you. One important note: If you have a long-term-care insurance policy, it may be redundant with some contracts. Ask the CCRC how such a policy would change your payment, if at all.

The good news: These days you've got room to negotiate

Most residents sell their houses to pay the entrance fee. But sluggish home sales mean fewer people have been able to come up with the money, particularly in hard-hit real estate markets such as Tampa and Sacramento. Result: Existing CCRCs now have an average 10% vacancy rate, down from 6% in early 2007, according to NIC.

That means that you likely won't have to spend much (or any) time on a waiting list - and some places are even discounting fees, says Michael Hargrave, a vice president of NIC. Try to negotiate these. It also means that if you can't sell your house, they might let you pay the entrance charge in installments, or only when you succeed in selling. You may also be able to get reimbursed for interest and fees for a bridge loan.

Once Mom and Dad are in, they are really in

If your parents hate the place and decide to bolt, they'll usually get only a portion of their entrance fee back - if they get any at all. (An exception: Erickson returns 100%, as soon as the apartment is reoccupied.) Some return only a certain percentage, which declines every month. Others will give refunds only if your parents hand over a larger-than-usual entry fee. For example, a community might charge \$450,000 for a contract providing no refund, \$600,000 for a contract that returns 50%, or \$800,000 for 90%.

Since they'll lose money by leaving, your parents should do plenty of research to make sure they'll be happy. Have Mom and Dad eat meals there; stay overnight. Ask current residents what they do and don't like. Closely read the contract for rules, which can range from when dinner is served to whether they can hang Christmas lights. Ask how decisions are made. At some facilities the provider can require a move to a higher care level even if the resident disagrees, says Linda Nelms, a management professor at UNC-Asheville who studies CCRCs.

Unfortunately, the same refund policies typically hold when residents die. So those thinking of moving in should be sure this jibes with their estate plans and desires to leave an inheritance.

A top price doesn't guarantee top care

Some continuing-care communities offer great care; some don't. And price is not an indicator. You should:

Verify licenses: Go to snapforseniors.com and click on License Types Reference to see if your state issues a license for CCRCs. If it does, the community you're considering should have it. If not, the community should have both an assisted-living license and a skilled-nursing license, says Eve Stern of snapforseniors.com. You can verify both on the site.

Check nursing home ratings at medicare.gov: About 90% of facilities are rated here. Not everyone agrees with the ratings, but generally, the more stars the better (five is highest). Use the site to compare homes near you on such factors as quality, staffing and inspection reports.

Call your local long-term care ombudsman: This state-employed consumer advocate - whom you can find via ltcombudsman.org - investigates complaints on CCRCs and can tell you what's been filed on the ones you're considering.

Look for accreditation: The Continuing Care Accreditation Commission reviews CCRCs for quality of care and financial stability. Facilities that get the stamp are listed at carf.org/aging. Scrutiny is voluntary, however (CCRCs have to pay for it). So while a lack of accreditation doesn't necessarily indicate poor quality, says Elinor Ginzler, senior v.p. for livable communities at AARP, having it is a good sign.

Visit the higher-level care facilities: "I've had clients who moved out of CCRCs because although they were fine in independent living, their families weren't satisfied with the quality of care in assisted-living or nursing," warns Barbara Steinberg, a financial planner in Lincoln Park, N.J. Ask about staff turnover, too - keeping more than 80% of employees is one of the best indicators of quality care, says Lauren Shaham of the American Association of Homes and Services for the Aging.

You should ask for an accounting

Before your parents hand over a big wad of dough, be sure you feel confident about the company's financial solvency. The chances of Mom ending up homeless are small: Only a handful of CCRCs have filed for bankruptcy in the past decade, and in most cases the facilities restructured debt or were acquired by another provider, says Ziegler's Brod. But even that could cause stress and a change of services.

Accreditation is a good sign, as it means the community has met certain financial standards. Regardless of accreditation, ask about the history of rate increases.

Jumps well above cost of living and medical inflation could indicate cash-flow problems. Also ask about occupancy rates over the past few years. Steady or increasing rates are a sign of a healthy organization, says Brod. Ask your planner to dig into public documents such as debt ratings and tax forms. It's worth the effort to make sure your parents will be secure and happy for the rest of their years.

Veronica Crews contributed to this article.