



THINGS YOU SHOULD KNOW BEFORE CHOOSING A CONTINUING-CARE RETIREMENT COMMUNITY

A continuing-care retirement community can be a great option for retirees who wish to “age in place.” As the needs of the residents change, the community offers increasing levels of care, all without the stress of uprooting. However, before committing to any one CCRC, you must take the time to read the fine print.

In a recent *Kiplinger’s Retirement Report* article, Kathryn A. Wilson outlines several crucial points to take into account while you consider the CCRC option. Costs of the CCRC and thinking of the long-term may be daunting now, but doing your homework will make the decision much easier.

A PLACE TO CALL HOME

Before you get down to brass tacks, you can first determine whether or not the CCRC is a place you would enjoy living. Any CCRC worth considering will offer tours to potential residents and their families, and take time to answer any questions. Have a meal there and even ask to stay overnight at least once. See if they have a noise, visitor and pet policy that suits your needs. Talk to residents to get their impressions. If you or your family leave with a bad feeling about the place, trust your gut and keep looking.

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If it seems like you would be happy there, you’ll want to know all you can about its business practices, financial performance, services, and rates. Be sure to include your accountant, financial adviser or lawyer in the process. Show them copies of the not only the CCRC’s contracts, but also its financial report.

The cost of a CCRC is based on a variety of factors including location, size of the living space, whether the resident owns or rents, the amenities chosen, whether the living space is for one or two individuals, and the type of resident contract signed.

→ A QUICK LOOK

Continuing-Care Retirement Communities are an attractive option for seniors and retirees at every stage.

- You have the security of living in a seniors-only community, with peers
- Many offer social events, transportation
- You can remain in the same community/home if you or your spouse suddenly needs special assistance
- Skilled nursing care is local and available
- Some are associated with a specific ethnic, religious or fraternal order
- You no longer are burdened with maintaining a house

The two biggest costs are, first, the entrance fee (generally anywhere from \$150,000 to \$1 million—comparable to the average value of residential homes in the community’s geographic area); and then, a monthly fee.

The CCRC contract you select outlines the long-term housing, nursing care, fees, costs and services available. One of the most important questions the contracts should answer is: What happens to the entrance fee when I move out or die?

While some CCRCs will refund the deposit, many will not refund in full. Others will only offer the full refund if your unit is then sold at its purchase price. This could be stressful for residents who move out and expect their refund immediately. In reality, the refund could be delayed, and be much less than what they had originally put down for the entrance fee.

Even worse are the CCRC contracts that offer residents no refund at all. In this case, there will be nothing returned to the estate of the deceased, even if the resident had spent only weeks in the CCRC.

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Find out how the CCRC will handle your entrance fee. It is in your best interest that they keep it in a separate escrow account. This way they will not be able to access it for their own administrative expenses. Plus, it is protected in the event that the CCRC faces bankruptcy.

SERVICE FEES AND RISK

Typically, the more risk you assume, the lower your monthly expense. A life care/extensive contract will cover unlimited long-term nursing care at little or no additional cost for as long as you need the services. This type of contract is the most expensive. Other contracts are more fee-for-service. Here the regular monthly fee is kept at a minimum, but all health and medical services, as well as long-term care, are the responsibility of the patient.

Ask for a complete list of services the CCRC provides for additional costs. How much of services such as meals and special diets, housekeeping, transportation, emergency help, personal assistance, and activities are included in the monthly fee? Make sure you have a good understanding on what is included and what will cost extra.

As you or your spouse may move from independent living, to assisted living, and finally to nursing home care, will the monthly fees increase? If so, how much? Are there additional relocation expenses? What about care for residents with Alzheimer's Disease or other forms of memory loss? How well—if at all—does the CCRC accommodate residents with dementia? What are the additional costs?

Even without any changes in service needs, is there an annual increase in monthly fees for all residents? Many CCRCs raise fees just to keep inline with inflation.

FINANCIAL STATEMENT

The next thing you need to consider is the financial health of the CCRC itself. A financially struggling CCRC may cut the services you depend on, raise its fees—or worse—go out of business. Reviewing a CCRC's financial statement with your financial adviser is much more helpful than flipping through any of its glossy brochures.

Compare the CCRC's total expenses to its total revenue. If expenses exceed revenue, take your business elsewhere. The CCRC you select should be able to provide you with a comfortable home and services you need for the rest of your life. You don't want to hop on board a sinking ship.

At the very least, ask the manager how long it has been operating at a deficit and how they expect to resolve the situation. If it is indeed a temporary shortage, they should have a solid recovery plan.

Look at occupancy rates to get an idea of the financial stability of the CCRC, and the quality. Only consider a community with less than a 90% occupancy rate if it is new, expanding or renovating. Otherwise, you might be stuck in a financially struggling community with ever dwindling numbers of residents.

ADDITIONAL CONSIDERATIONS

Check whether the CCRC you are considering is licensed by your state. Also, an accreditation by the Commission on Accreditation of Rehabilitation Facilities (www.carf.org; 888-281-6531) means its business practices and financial performance meets high standards. For a checklist to help you in your search, see the "CCRC resources and tools" under the "Housing" tab at www.SnapForSeniors.com.

Kathryn A. Wilson's "Take a Close Look at a CCRC's Fine Print" was published in the February 2010 edition of Kiplinger's Retirement Report.