

## **Retirement Communities 101 – April 2013**

If you are like many senior citizens, you've entertained the thought of downsizing that large, sprawling house and simplifying your life. You've asked yourself, "what if I get sick and can't climb my stairs any longer?" or, "what would it be like to live in a community with people my age?" Or maybe you can't imagine moving to a retirement community at all. "I am way too young!" you think. "What would I do all day?"

Today's seniors have more housing options than ever. Many wish to age in their own home, especially if they are healthy and have family nearby to help out as needed. Others choose to move to an Active Adult Community, where they can live independently but have access to recreational and social activities. Those who want the security of knowing they will have access to skilled nursing facilities may relocate to a Continuing Care Retirement Community (CCRC).

### **Types of Retirement Communities**

There are countless types of retirement communities in the United States, offering varying levels of cares, services, and amenities. Let me start by defining the most common living arrangements:

- *Independent Living* – These are residences for individuals who can perform basic chores of everyday life but may need assistance from time to time. Healthy seniors live in independent apartments while enjoying access to community facilities and meals. There may also be shared recreational and social programs.
- *Assisted Living* – These are residences for seniors who can't live by themselves but don't need skilled care. These facilities are designed to keep residents as self-sufficient as possible, while offering basic services such as cooking, dressing, bathing and housekeeping when needed.
- *Skilled Nursing Care* – These residences provide 24-hour skilled care, rehabilitation, and long-term assistance to those who are unable to live independently. This is a full-service housing option where meals, medical care and personal care are provided.
- *Continuing Care Retirement Community (CCRC)* – These facilities provide lifetime care, with a variety of housing options and services on the same campus. Residents typically enter the community while they're healthy and able to live independently. If needed, they can move to assisted living or nursing care units without leaving the campus. Some facilities also offer memory care housing for residents suffering from memory-loss conditions such as Alzheimer's. Couples entering this type of community together may find it comforting to know that they won't be far from their spouse if he or she requires assisted living or nursing care.

## **Types of Contracts**

CCRCs guarantee lifetime housing and access to all levels of medical and personal care, but these benefits come at a hefty cost. Most facilities charge a large upfront entrance fee and ongoing monthly charges. Listed below are the most common types of CCRC contracts:

- *Life Care/Extensive Contract* – provides lifetime housing, residential services and health care services, including assisted living and skilled nursing care. Entrance fees and monthly charges are generally the highest, but no additional fees are assessed when an individual moves from one level of care to another.
- *Modified Contract* – provides lifetime housing, residential services, and certain health care services for a set period of time. When the specified period expires, the individual pays the going rate for additional health care services.
- *Fee-for-service Contract* – provides lifetime housing, residential services, and access to health care services, at an additional cost. Residents pay the going rate if health care services are required.
- *Equity Contract* – involves a real estate purchase, with transfer of ownership of the living unit. This unit may be sold once the resident vacates the unit, and the facility may assist in marketing the property.

Some facilities offer the option of a partial or complete refund of the entrance fee in the event that the resident moves out of the community. A refund may even be available to the estate upon the death of the resident. In addition, some facilities have charitable foundations that will pay a resident's living expenses if a financial hardship exists.

## **Coordination with Long Term Care Insurance and Medicare**

Long Term Care Insurance policies are generally designed to cover skilled nursing care and certain assisted living services. If you have a LTC policy, you should familiarize yourself with the terms of your policy and contact your carrier to confirm exactly what services it covers.

In general, Medicare does not cover long term care services provided at CCRCs. Medicare does, however, cover a beneficiary's stay in a rehabilitation center if a number of restrictions are met. There are minimum hospital stay requirements prior to the rehabilitation period, and the patient must be expected to recover from the incident in order for Medicare to pay for this type of care. This situation is commonly misinterpreted to be the same as long term care.

## **Tips for Evaluating Retirement Communities**

- We encourage clients who are interested in moving to a retirement community to do so before they have serious medical problems. You will generally have to pass medical and cognitive exams as part of the application process. If you are not in good health, you may not be accepted by your preferred facility and will therefore have fewer options. Even if you are accepted into a community, you may have a harder time adapting to your new home and developing a new network of friends if you are dealing with illness.
- Begin the exploratory process by collecting general information on several communities in your desired city or town. Many facilities have a marketing coordinator who can provide fliers and answer your initial questions over the phone. Once you've collected the facts, eliminate the communities that won't work based on your housing preferences or budget.
- Once you've narrowed your search, review each community's accreditation, licensing and financial reports, and investigate any pending complaints. You want to be sure that the facility is reputable and solvent, and that it will be able to provide the care that you need for the rest of your life.
- Visit a few potentially suitable communities and stay overnight, if possible. Meet as many residents as possible and ask questions about the lifestyle and amenities. Be sure to visit all parts of the community, since you may require assisted living or skilled care in the future.
- Ask your Financial Advisor to crunch the numbers and help you understand the total financial commitment required. You should also take into account annual rate increases. If you are married you need to consider what will happen if only one of you needs assisted living or skilled care, and how this will affect your monthly costs.
- Once you've chosen a suitable community, you will need to complete an initial application and pay a small deposit. You may find that your preferred facility does not currently have openings. If so, you will be placed on a waitlist and contacted when there is an opening for you.

Rinehart Wealth Management maintains a comprehensive summary of all Charlotte-area Continuing Care Retirement Communities and can assist also you in researching out-of-town facilities. Please contact your Financial Advisor, who can help you assess your housing options and determine the best way to finance your move.