



North American Management

Financial Planning Note

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Considering Continuing Care Retirement Communities

A critical component of any financial plan these days is what to do about long-term care needs. According to the US Department of Health and Human Services, 70% of Americans older than 65 will need some form of long-term care. Whether you plan to stay in your home, move in with your kids or find a community of like-minded adults, planning for extra care as you age is usually necessary.

Continuing Care Retirement Communities (CCRCs) are one popular option for aging “in place.” These facilities are best suited for those who want to remain in the same community as their care needs change. One typically enters a CCRC while still able to live independently. As more assistance with daily living is needed, the resident can move to a separate part of the community campus designed to enable more care. And, if skilled nursing care is needed, there is a nursing home on the campus as well.

When should you start looking at CCRCs? Well before you plan to move. Many of the desirable communities have a multi-year wait list, so be sure to get your name (and likely deposit) down well before you are ready to make a change. If your name makes it to the top of the list but you are not yet ready, most communities will keep you at the top of the list until you are ready.

We are often asked how the financing works for such communities. Do you pay rent each month, or do you have to purchase a particular unit? In a typical CCRC, there are two fees – an entrance fee (and this may be a sizable sum, essentially buying into a unit in the community), along with a monthly fee for services. With the entrance fee, think of it as prepaying or insuring for potential care down the road. Although many CCRCs do refund a portion of the entrance fee to your heirs, some do not. Prices vary widely, but average estimates for entrance fees and monthly fees for one person could look like this:

UNIT SIZE	ENTRANCE FEE	MONTHLY FEE
Studio	\$175,000	\$2,200
1 Bedroom	\$300,000	\$3,500
2 Bedroom	\$550,000	\$5,000

NOTE: Adding your spouse usually results in an addition to the entrance fee and monthly fee.

When considering a CCRC, you will want to spend time on site, observing the grounds and the facility, as well as the staff and other members of the community. Don't be shy about interviewing staff and other residents to get the real scoop on what it's like to live there. When you've landed on the CCRC that feels right for you, be sure to ask the following questions:

1. What are the various contract options and breakdown of the fees?
2. Do you raise the fees every year? If so, by how much?
3. What part of my fee is covered by Medicare and/or my long-term care insurance?
4. Are any of the fees refundable to my estate?
5. Does the entrance or the monthly fee cover any medical expenses?
6. What happens when my spouse needs assisted living or nursing care but I don't?
7. How are you addressing security for each of the care facilities?
8. What happens if I need to be moved to the next level of care and there are no rooms available?
9. Who makes the decision about moving me to the next level of care?
10. Is there an ombudsman or a resident committee that can help with any staff or management issues?

Living in a CCRC will come with many benefits, but your cash flow needs could change significantly from your current lifestyle. People aged 65 are now projected to live another 25 years, so you want your finances to support you for that length of time as well. Be sure to contact me or your Relationship Manager if you would like help with these calculations.

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