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RETIREMENT REPORT

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Caught in a Housing Crunch

Retirement communities offer special deals to seniors who face a tough time selling their homes. **BY KATHRYN A. WALSON**

AFTER 37 YEARS in the same house, Burt and Peggy Schimpke were ready to move. “We decided it was more than we wanted to take care of,” says Peggy, 83. The couple had their sights on Fox Run, a continuing care retirement community in Novi, Mich., 11 miles from their home outside Detroit.

There was one problem: The housing market was in the doldrums. If the couple couldn’t sell their house, the Schimpkes couldn’t afford to move. “We figured we wouldn’t get a better offer if we waited,” Peggy says. They put their house on the market in August 2008 and put a deposit on a two-bedroom unit at Fox Run.

Fox Run is one of more than 20 campuses operated by Baltimore-based Erickson Retirement Communities. Hoping to keep a prospective resident, Erickson put the Schimpkes in touch with a real estate agent, who sold their home in December. Peggy says the agent posted photos on the Internet and “staged” the home, removing wallpaper and rearranging furniture.

Erickson covered \$500 of the moving fees and reimbursed \$2,000 for packing and unpacking services. “It made for a very easy move,” Peggy says.

As the recession deepens, many seniors who planned to move into a retirement community are finding it tough to unload their houses. Partly as a result, some communities are experiencing sagging occupancy. A credit crunch is forcing some developers to call off planned projects. Others face bankruptcy.

For retirees, there’s a silver lining to the housing downturn. They can find bargain prices in many retirement communities, such as those in hard-hit Florida and Arizona. And many developments are going all out to entice prospective residents.

Before you sign on, check into the financial stability of the housing company. “Now is the time to err on the side of more due diligence,” says Eve Stern, president of SnapforSeniors, a Seattle-based company that runs a database of licensed senior housing in the U.S.

The measures you take to finance a new home depend in part on the type of senior housing you intend to move into. At many active-adult communities, you buy your new house. With assisted living, you pay only a monthly fee, ranging from \$4,000 to \$6,000.

Continuing care retirement communities, which provide a range of care from independent living to nursing care, work two ways. In some cases, you buy the unit. But, typically, you pay an “entrance fee” of up to a half-million dollars as well as a monthly fee.

Residents usually sell their homes to finance a new house at an active-adult community or a CCRC entrance fee. Residents

in assisted living can finance monthly fees with proceeds from the sale of their house or scrape together investment income and Social Security, veterans and pension benefits.

Drive a Hard Bargain

In an attempt to bolster occupancy, many communities are giving discounts and offering prospective residents more time to sell their houses. They’re also arranging temporary financing so residents can move in while their houses are on the market.

Consider ACTS Retirement-Life Communities, a West Point, Pa.-based firm that runs 19 CCRCs in six states. Michael Smith, director of public relations, says all ACTS communities have waiting lists except for five communities in Florida’s Vero Beach and Boca Raton.

Last June, the company started offering incentives to people who wanted to move into those five Florida campuses. “People are having trouble selling their homes,” Smith says. “In this housing market, we want to do everything we can to help them move in.”

ACTS’s entrance fees range from \$92,246 for a studio to \$274,851 for a three-bedroom apartment. ACTS is offering a three-bedroom apartment for the price of a two-bedroom unit and a two-bedroom for the price of a one-bedroom. The company is also giving residents up to a 12-month extension on the final entrance-fee payment with no interest, as long as they have paid one-third of the fee. And the company will cover up to \$5,000 of moving expenses.

In fall 2007, Erickson launched Erickson Realty and Moving Services in Detroit. The service, which has since expanded to all Erickson communities, includes a personal moving consultant. “We’ve been able to help folks sell their homes on average 33 to 35 days faster than the typical house in that particular market,” says Donna Samulowitz, Erickson’s chief marketing officer. “We will even hang pictures on the wall,” she says.

In one case, Erickson gave a \$5,000 discount to an incoming resident who had received a less-than-appealing offer on a home sale. Erickson also repaired the sidewalk in front of a prospective resident’s home so the house would sell faster.

Seniors who move to one of Emeritus Corp.’s assisted-living centers could get a break on upfront fees. “If people press a little bit on the upfront fee, operators will reduce or even waive the upfront fee,” says Granger Cobb, chief executive officer of the Seattle-based company, which runs 250 assisted-living facilities.

Cobb says there’s been a rise in the number of residents moving into “friendship suites.” These shared apartments can

be 30% cheaper than a private apartment.

Jerry and Teresa Hanagan, both 85, recently moved into an Emeritus center in Stockton, Cal. Emeritus arranged for movers and covered the \$400 cost of the move. The couple got a break on the upfront fee, which is usually \$1,500 per person. The couple only had to pay \$1,000 total.

"They knew that my parents were strapped for cash and worked with us to make it affordable," says Terri Hanagan, 52, one of the couple's four children, who lives in San Francisco. The fees are paid from the couple's Social Security benefits and Jerry's pension, and Terri and her siblings chip in, too.

The couple's Stockton home, which they bought for \$25,000 45 years ago, lost much of its appreciation over the past couple of years. "The realtor said he hoped he could get \$150,000 for it, and it was worth double that two or three years ago," says Terri Hanagan. "If we sold now, we would suffer a terrible loss."

The family is discussing options with an elder law attorney. One possibility: a bridge loan, which would help pay the assisted-living fees until her parents sell their home. Terri and a brother are considering co-signing for a loan with Elderlife Financial Services (www.elderlifefinancial.com), a Washington, D.C., company that works with 2,200 senior-living communities.

With an Elderlife Financial loan, two or three family members can co-sign with their parents for a line of credit of up to \$50,000. The interest rate ranges from 8.25% to 12%. The loan advances are sent directly to the senior-living community each month.

"It's a lot easier on a family's pocketbook if they can buy a little time and a little breathing room," says Elias Papasavvas, chief executive officer of Elderlife Financial. In March 2009, Elderlife will launch a secured loan for CCRCs, with an interest rate ranging from 3.75% to 5.25%, for \$200,000 to \$1 million, to help cover the entrance fee.

You can also ask a bank for a bridge loan. But make sure you can extend the loan for a year or so in case your first house doesn't sell.

Another cash-raising route is a life settlement, selling the face value of a life-insurance policy to an institutional buyer, which becomes the owner and beneficiary. Life Care Funding Group (www.lifecarefunding.com), based in Lewiston, Maine, works with residents at more than 1,000 retirement communities, says Chris Orestis, president of the company, which finds buyers for the policies.

Orestis says most of the insurance policies are on the low side, from \$50,000 to \$250,000. "This is a funding bridge for a senior whose house is taking a long time to sell," he says. Orestis also notes that residents of senior facilities who have lost savings in the economic downturn are selling policies to finance housing costs.

In some cases, you can use a reverse mortgage to finance retirement living. Starting this year, homeowners who are at least 62 can take out a reverse mortgage to cover part of the purchase price on the home they're buying. By not buying the new house entirely with the equity from the first one, you can sock away extra money into a cash reserve.

But a reverse mortgage will only work if you are actually buying a house. You can't use a reverse mortgage for assisted-living facilities or many CCRCs. Another drawback is the loan's high upfront costs.

Yet another option is to move into the new place and rent out your house until the market rebounds. Because of the headaches that come with having tenants, renting is a last resort, says Tommy Williams, a certified financial planner with Williams Financial Advisors, in Shreveport, La. If you think your house will sell for substantially more a year from now, find a rental-property manager to deal with tenant and maintenance issues.

Senior housing costs vary around the U.S., so if you're flexible on location, you could find a nice place that is less expensive. You can look for senior housing nationwide at SnapforSeniors (www.snapforseniors.com; 866-798-5655). You can find assisted-living facilities and CCRCs approved by the Commission on Accreditation of Rehabilitation Facilities at www.carf.org. One criterion is a facility's financial stability.

Before signing on the dotted line, take the contract to a lawyer. Ask your lawyer or accountant to review the financial records of the community. Visit the community and ask residents if operators are maintaining a high level of service. Be wary of providing a deposit to a development that is not yet completed.

Ask what a retirement community will do if you move in and then run into financial difficulties. Find out what happens if you can't afford the full entrance fee or monthly fees until your house sells.

Craig Reaves, an elder-care lawyer in Kansas City, Mo., says another issue is the refunding of deposits. "If you change your mind, what do you get back?" he says. "You need to understand what you're buying into." **K**

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