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Six Tips to Evaluating a Retirement Community

While the current economic downturn may have caused many retirees or soon-to-be retirees to reconsider a move to another retirement destination, the following article gives some good suggestions about what to consider (and what not to rely on) in making the decision about a retirement community. Following these suggestions could make a big difference in the quality of life in those golden years. The article appeared in the December 17, 2008 issue of Bankrate.com.

By Carole Moore

By virtue of its size, the baby boom generation has always been the target of marketers pitching countless products and services. That won't change as boomers head into their retirement years.

According to a U.S. Census Bureau report, as baby boomers get older, the over-65 population will roughly double by 2030, representing 20 percent of the total population. It's expected to remain above the 20 percent level for several decades. By comparison, in 2000 this demographic segment represented just 13 percent of the population.

No wonder local government agencies and real estate firms want boomers to head their way and settle in their communities. An influx of retirees creates jobs, tax revenues and demand for real estate. The challenge facing boomers who want to relocate is how to separate fact from hype.

Checklist

Bankrate's tips will help you look beyond the brochures to find your own personal nirvana. Tips to evaluating prospective retirement communities:

1. Balance the hype

Former university professor Gene Warren is president of Thomas, Warren & Associates, a Phoenix, Ariz., company that helps communities position themselves as the ideal place to retire. Warren conducts seminars that assist clients in developing marketing strategies. Like any business, cities and towns play up the positives -- proximity to the beaches or mountains, for instance -- and play down the negatives -- such as a lack of public transportation or high property taxes.

"Communities don't need to change to attract retirees, they just need to figure out what makes the community a good place to live," says Warren of his marketing strategy. The ideal target

group is ages 55 to 61, he says, and most reach a decision about post-retirement location by the time they're 65.

A study released in October 2006 by the National Association of Realtors says eight out of 10 boomers own their own homes. The average boomer household income, the study claims, is \$64,700 -- 31 percent higher than the median of other households. Boomers make it clear they like homeownership, but differ from the previous generation in that most don't plan to downsize once the kids are gone. Instead, they look for the climate and lifestyle they prefer and often buy up -- nailing that dream home they've always wanted.

Bankrate tip: Car salesmen don't emphasize a gas-guzzler's mileage. Instead, they talk about the luxurious interior or state-of-the-art GPS. Buy into a retirement community the same way you'd buy a car. Explore the negatives. What's not being said is just as valuable as what is.

2. Check the impact on your checkbook

Dr. Neal Cutler, associate director of the University of North Carolina Gerontology Program in Greensboro, says retirement is a much more complicated process for boomers than it was for their parents and previous generations. They also tend to take a different approach to their homes. "Boomers are more likely to move around and use their homes as capital, where their parents couldn't wait to tear up the mortgage," Cutler says. Because pulling up life-long stakes and moving into a new community is such a big decision, financial considerations should go well beyond housing.

For example, a survey conducted in 2006 by Mercer Human Resources Consulting that ranks the cost of living in major international cities, lists New York City as the most expensive in the country. No big surprise there, but would you have guessed that Winston-Salem, N.C., was rated cheapest among U.S. cities surveyed?

You may have checked out property taxes and average home prices in places you're considering. But what about sales tax on necessities like food or the cost of homeowner's insurance and transportation expenses? How much is bread or coffee compared to where you live now? Remember, too, that some necessities don't remain static. Heating and cooling bills fluctuate in places with extreme seasons. Residing in resort areas often means prices rise and fall with the tourist season. And services covered by taxes in your present community, such as trash pick-up, may be billed separately.

And don't forget to look at college towns. It's one place where you're sure to find good, but reasonably-priced, entertainment and lots of bargains. Places that cater to student budgets can be a bonanza for retirees.

Bankrate tip: Click on Bankrate's cost of living calculator and let us do the math for you. Follow it up by subscribing to the local newspapers (or read the online editions). Pay special attention to the advertising. Talk to the utility companies -- they're usually glad to answer your questions. And ask local residents for their take.

3. Choose the home that best fits your lifestyle

What do boomers consider important? Some 79 percent of survey respondents cited medical services as a top priority, followed by access to public transportation (74 percent) and proximity to shopping (68 percent). The survey results appear in the book "The Maturing Marketplace: Buying Habits of Baby Boomers and their Parents." Well-planned and -operated retirement communities offer all of these.

"Homes in retirement communities are a better value now than regular communities," says Carol Fena, whose Web site, BestGuide-RetirementCommunities.com, is devoted to retirement real estate choices. "Right now in most areas they are (priced) a little under the regular market."

Balance the lower move-in costs with ongoing costs, such as homeowners association fees. Ask lots of questions. "Is there any deferred maintenance?" If the answer is yes, this can mean the budget is out of whack or that an increase in homeowners fees may be coming. If this is a possibility, a prudent follow-up would be, "What is their policy on increases in monthly fees?" Potential buyers also should be careful when signing documents (read it all and if you don't understand the legalese, take it to your lawyer, financial adviser or trusted friend for interpretation). And make sure deposits are fully refundable if you change your mind.

Bankrate tip: If you're leaning toward a particular community, check on the amenities and how well they're kept up. Do people actually use them? A beautiful pool that's never filled is useless. What about clubhouses and social activities? Are the residents active adults or does the community tilt toward older, less active retirees? Can you age in place here? Find out before you commit.

4. Test drive the community

John Howells, a contributing writer for *Where to Retire* magazine and author of several books on retirement, including "Where to Retire," says it makes sense to rent a home or apartment before purchasing. "An amazing number of people simply check out the golf courses and begin looking for a place to buy," Howells says. Other advice: Before buying a place, take an adult education or community college class, attend a city council meeting and never pass up a chance to talk with area residents.

Former Chicago resident Janice Vera followed Howells' advice -- by accident. Vera and her husband sold their home and bought a recreational vehicle with plans to travel. A sudden illness with forced recuperation time found them staying with a relative in Brownsburg, Ind. "We saw this little house for sale and the prices (in Brownsburg) compared to Chicago were amazing," Vera says. They bought it.

Now they love the community and spend part of the year in Brownsburg, with its low cost of living, and the rest of the time on the road.

Bankrate tip: Visit in different seasons. Rent a vacation cottage, apartment or hotel room by the week or month. Shop the local economy, test the transportation, restaurants and

activities, go to the libraries, get your hair cut and see what's offered to older adults before you plunk down your money.

5. Look ahead

Topsail Beach, N.C., seems an ideal place to retire. A barrier island off the coast of North Carolina, Topsail has beautiful beaches and reasonable home prices, especially in comparison with Myrtle Beach, the Jersey shore and Florida.

Many Topsail residents bought or built their homes specifically with retirement in mind. However, hurricanes and the normal north-to-south sand migration common to barrier islands over the past decade has eroded much of the beach and endangered many homes. And a steep property-tax hike raised some bills more than 300 percent over the previous year.

Retirees lured to the area by low property taxes suffered a nasty double-whammy -- the rise in taxes meant many could no longer afford their homes. And the erosion problems sent many homes to market with fewer and fewer takers. Then, to add to their problem, insurance rates shot up. Many even had their insurance canceled.

Bankrate tip: You expect inflation and occasional up-ticks in your cost of living, but you need to think worst-case scenario, such as skyrocketing property taxes and disasters like hurricanes, mud slides and floods.

6. Don't be afraid to move on

Here's good news -- baby boomers aren't afraid to change their minds. They get their motors running and head out onto the highways of life knowing that where there's a left turn, there's bound to be a right one, too. So if you do make a move and decide it's not for you or you've had enough of the mountains and cold weather and want to sample the sea or live la vida loca Big Apple style, then what's to stop you? The best thing about retirement is that you don't have to punch anyone else's time clock.

Bankrate tip: Turning around and reselling a home within two years could have nasty effects tax-wise. Talk to a qualified financial adviser so you don't put yourself in a pickle.

Born to be wild

Don't forget other alternatives to simply packing up and moving. If you can afford it, you might go ahead and purchase a home in your target community during pre-retirement. Rent it out in the meantime and you can take advantage of prices that will most likely appreciate. To minimize your debt load take a 30-year-mortgage. You can pay that off when you sell your present home. The objective isn't so much to build equity, but to keep the price of your future home lower. It's a good idea to talk to your financial adviser first.

Another idea: Warren says you might quell the wanderlust and need for change without losing the security of your present friends, family and community by purchasing a second home. (If you can't afford to do that consider selling your present home and buying two smaller places -- one in your new community and one in the present). You can often rent the vacant property out for the part of the year when you're absent.

And last, but certainly not least -- there are hundreds of thousands of retirees who make their homes wherever they park. If you want the ultimate in new experiences and don't mind not having a yard to mow, consider buying an RV and hum some Steppenwolf as you motor off into the future.

For help with planning that may enable you to retire wherever you want, contact us at 866-ELDERLAW (353-3752) or www.elderlawms.com.