Sound Retirement Radio.com
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HOSTED BY JASON PARKER

031 Exploring Continuing Care Retirement Communities with Brad Breeding

Announcer: Welcome back, America, to Sound Retirement Radio, where we bring you concepts, ideas and strategies, designed to help you achieve clarity, confidence and freedom as you prepare for and transition through retirement.

Now, here is your host, Jason Parker.

Jason Parker: Seattle, Tacoma, Olympia, Gig Harbor, all the good people right here in Kitsap County, and for those of you tuning in around the world using iTunes or the podcast, thank you so much for making Sound Retirement Radio one of the top destinations in the iTunes world, in the iTunes universe. When you do a search for “retirement” I think this podcast now is up there at Number 3 or 4 or 5, somewhere in there, but that’s just awesome. Thank you.

We’ve been running strong now for a little over five years, and as most of our listeners know, Sound Retirement Radio is all about bringing experts on this program that are going to add significant, meaningful value to your financial life as you prepare for and transition through retirement.

I’ve got a great guest. I’m really excited to bring him on the program today. Before I do, I know how much all of our listeners enjoy these jokes that I bring to you Saturday morning, the ones that you can share with your grandkids maybe over Thanksgiving dinner or Christmas dinner, so here’s the first one for you.

The teacher says, “Why didn’t you do your Geography homework?” The student says, “The world is changing everyday, so I decided to wait until it settled down.” Oh, man. These jokes are … I don’t know. Who comes up with this stuff?

All right, the next one is, “Why does my teacher wear sunglasses? Because I’m so bright.” Oh, man. Do you know who really gets these jokes are my six-year-old daughter. She’s the only one that seems to really appreciate them. Even my son rolls his eyes at me and he’s nine, so there you have it. If you’re going to tell the jokes, make sure they’re age-appropriate.

Today's program, we have Brad Breeding, CFP, Certified Financial Planner, on the program. He is the president and cofounder of LifeSite Logics based out of Raleigh, North Carolina. Just let me give you a little bio on him before we actually bring him on to the program.

Brad is a cofounder of LIfeSite Logics, a North Carolina-based company that develops online tools and resources designed to help families make better-informed decisions when considering a continuing care retirement community.

He holds a Bachelor of Science degree in Business Management from North Carolina State University and is a certified financial planner practitioner with over 12 years of industry experience. His extensive knowledge of the retirement living industry, combined with his financial planning background, allows him to provide valuable insights about lifestyle, healthcare and financial planning considerations related to the significant life decision.

Brad and his company have been mentioned in Kiplinger's Magazine, Wall Street Journal's MarketWatch, U.S.A. Today and The New York Times. He is an author and regularly speaks for retirement communities, industry trade organizations and lifelong learning classes and other groups.

Brad Breeding, welcome to Sound Retirement Radio.

Brad Breeding: Thank you, Jason. I really appreciate you inviting me to be on.

Jason Parker: Absolutely. For our listeners, I'm going to share with them what I shared with you about how this interview came about.

A lot of people right here in our community know that we serve some amazing people, really amazing people. Some of our clients came into the office recently, and apparently, you were out here in the Seattle area, you were going to be speaking at an event, and so my clients came in, they said, "Hey, Jason, we're thinking about going to listen to this guy talk. We've been thinking a lot about the CCRCs. What do you know?"

I said, "I don't probably know as much as I should." We reached out to Brad to ask him if he'd be a guest on our radio show to help answer questions that I have, and I'm sure a lot of our listeners do, too, so that's how this all came about.

Brad, will you start out, before we get into why you started this company, but just for our listeners so they understand a CCRC, what it is we're going to be talking about today?

Brad Breeding: Sure. Continuing Care Retirement Community, CCRC is the acronym, but CCRC generally means that it's a community that is age-restricted or age-qualified, meaning there's a minimum age requirement, typically that's age 55, and the community is going to offer the full continuum of care.

CCRCs are actually unique in that regard. They're really the only type of community that contractually guarantees their residents access to a full continuum of care. What I mean by that is everything from independent living all the way through to assisted living, and then even that higher-level, 24-hour skilled nursing care when necessary.

Ideally, somebody who moves to a CCRC is independent today, maybe perhaps still very active, but they are in a community whereby their future healthcare needs will be available to them onsite if and when required.

Jason Parker: All right. That's what the topic is going to be for our listeners out there. We're going to be exploring continuing care retirement communities.

Before we get real in-depth with the nuts and bolts of this thing, tell us your story. You are a certified financial planner. You're not really working in that space anymore. You're specifically focused on the CCRCs. Tell our listeners about how you got into this and what you're doing today and why you're doing it.

Brad Breeding: That's right, Jason. I'm a former financial planner myself. I used to speak to groups of older adults as a part of my practice. I used to speak at lifelong learning programs as a part of Duke University here and there, in the country where I live, the triangle area of North Carolina. What I found was that audience members would ask me questions about some of the retirement communities in our area.

As I began to do some research to help answer their questions, what I realized was that, number one, choosing a retirement community can be a complex and overwhelming decision process for many people, but at the same time, I found there to be very little in the way of independent and third-party resources designed to help guide people through the decision process.

Most of what I could find were websites that were selling advertising or perhaps selling leads to the different communities and so forth but just really not providing what I felt to be quality information for the consumer.

Really, the key source for most people was the marketing team or the sales team at a retirement community which certainly is a necessary step in the process, but for somebody who want to do that preliminary research independent of the community, that's really where we saw, that's the space we wanted to fill here at LifeSite Logics was giving people a really nice third-party resource for information and guidance.

Jason Parker: All right. Are you doing that, is that web internet-based? Do you guys have a website set up people can go and look at different options that are available to them?

Brad Breeding: We do. LifeSiteLogics.com, that's L-I-F-E-S-I-T-E, and logics, L-O-G-I-C-S, .com, that's our website. There's some really great information in there under the "Learn About" section for CCRCs.

We also have a database that we've been working on for the last two to three years. Really what we're trying to do is provide profile reports on communities across the country, and so you can go on there and there's a couple of hundred data points on communities. They're listed in our database.

Jason Parker: The phrase "retirement community," we don't want to get this confused with … One of the other things that's very popular, so CCRCs seem to be growing in popularity, but this is different than assisted living. It's obviously different than a nursing home, but it's also different than, a lot of people are really attracted to these senior living communities.

You see a bunch of these down in Arizona, in warm, sunny places, you see a couple of them up here in Washington State, but those are just really more 55-plus, you have to be 55 years to move in, active communities.

Help our listeners understand, what is a CCRC? What's the difference between just a 55-plus community and an assisted living facility?

Brad Breeding: That's a great question. One of the challenges from the consumer's perspective is often being able to recognize and distinguish the difference between one type of retirement living provider versus another. The real difference, number one, as I alluded to earlier, is continuing care retirement communities or CCRCs offer access to this full continuum of care.

I always tell people, if you're trying to look, if you're researching the different options and trying to understand the difference, one of the first things you want to ask yourself is, what phase of that continuum do they focus on?

There may be some retirement communities that are what we would call "purely independent living" whereby residents of the community are able to live completely independently, they're still active and all these things, but if they ever require assisted living or skilled care, it will not be available or provided for by the community. That would be just a pure independent living 55-plus community. Those are very popular, of course.

Then you have some that we refer to as "independent plus" where it's independent living and then some very limited assisted living services. Usually, they are contracted with outside companies and brought into somebody's independent living unit.

Then, of course, we move over to a continuing care retirement community where, again, you have that full continuum of care available.

One of the differences, of course, is that, with CCRCs, there's a lot of different types of contracts. There are often entry fees involved and things like that. If somebody's considering a CCRC, they really need to understand some of the details that go into the various contract types and things of that nature.

Jason Parker: We want to dig into the fee structure on these to help our listeners understand what that looks like. Are you familiar with just the 55-plus communities that are cropping up all over the country where they want to be around people that share similar interests and similar activities but there's nowhere in their mind where they're thinking about ever needing any kind of care? Are you familiar with those?

Brad Breeding: Sure. Absolutely.

Jason Parker: Because my understanding, I've been to a presentation on a local CCRC, continuing care retirement community, and it sounded to me like they're really trying to attract that younger demographic, the people that are active and involved. They really seemed like they were focusing on trying to get you to move in while you still could really enjoy everything the community had to offer, not waiting until your health had failed or started to slip.

Brad Breeding: That's right. We have spoken at a number of a retirement communities and talked with consumers who are going through this research process and so forth. One of the things that we hear quite often from people who have already made that decision to move into a CCRC …

Jason Parker: Hey, Brad, hold that thought for one second. We need to take a quick break. We're going to be right back.

Seattle, Tacoma, Olympia, Gig Harbor, all the good people right here in Kitsap County, and for those of you tuning in from around the country via iTunes or the podcast, thank you so much for listening to this program.

Thank you so much for taking and making "Sound Retirement Planning," my book, one of the Amazon bestsellers this year in the Personal Finance category. That was pretty cool. I'll make it all the way to Number 1, and I know it's because of all of our great listeners out there that went out and bought the book.

Today I have Brad Breeding, CFP, on the program. He's the president and cofounder of a company called LifeSite Logics based out of Raleigh, North Carolina. They have a website, LifeSiteLogics.com.

The specialty and the topic of the day is a CCRC, continuing care retirement community, and Brad, I was just asking you, what is it that motivates people to want to move into something like a CCRC community when they're still young and active versus just moving into a 55-plus retirement community?

Brad Breeding: I think the most attractive thing for somebody who moves into a CCRC is that they want peace of mind, and that's what they find in looking at a CCRC.

Perhaps they've been through an experience with a loved one where they had to serve as the family caregiver, and maybe that wasn't a very pleasant experience and they don't want their own adult children to have to go through that type of thing with them, maybe they're just ready to downsize and reduce some of the burdens of home maintenance and so forth and things of that nature and really are just planning ahead at the types of things that could come down the line that …

That's a big part of it is that people who choose a CCRC, generally speaking, are planners. They like to plan for the future and they like to be somewhere where they know there are different services, amenities and home maintenance as well as obviously the healthcare aspect, that all of that will be available to them if and when required.

Jason Parker: It's one of the things I hear a lot from people is they say, "Jason, I never want to be in a position, number one, where I'm a burden to my family physically or financially," but number two, most people want to stay in their own home as long as possible.

They don't like this idea of ever having to move out of their own home. That's one of the things that the CCRC, in my mind, it does for people. It gives them that continuity. They're not going to have to be bouncing from place to place to provide for different levels of care. Is that a fair assessment, a fair assumption?

Did I lose you?

Brad Breeding: That's right. I had just a little bit of trouble here. Yes, that's right. Most people, studies show that about 80%, 90% of people prefer to stay in their home. After all, home is where the heart is. It's where people's memories are, raised their children there and things of that nature.

The problem is that aging at home is often much easier in theory than in practice, and I say that a lot. If you've ever had to help care for someone in their home, you probably know that from experience.

I often tell people, if you plan to stay in your home, that doesn't mean that you don't need to plan. There's still a lot to manage and this gets more challenging when the ability to manage those things on your own diminishes.

Staying at home is particularly challenging for someone who doesn't have family nearby, but even then, the impact on that family caregiver can be pretty dramatic from an emotional or financial standpoint sometimes, and so retirement communities can help alleviate some of that.

You're right, for those who age at home, a lot of times it's really delaying the inevitable, because they may still reach that point where the services and the care that they may need can't be provided in their home, and so it could mean a second and a third and a fourth move at a time in your life where moving is really not the best thing.

It all goes back again to planning ahead. We always tell families, whether they choose a CCRC or not, plan ahead. Have that discussion. Do your research. Know what the options are so that you can at least make an educated decision.

Jason Parker: Is planning to move into a CCRC an alternative to buying long-term care insurance? If you were planning to move to a CCRC, would you recommend that they don't purchase long-term care insurance and use this as an alternative way of thinking of providing for that future care?

Brad Breeding: I would say, in most cases, no, I would not recommend that. The reason I say "in most cases" is because there are different types of contracts offered among CCRCs.

Without going into too much detail in this interview, some of them are almost prepaid type of arrangements. Generally they're called life care communities whereby you pay a little more upfront but all of your monthly rate's going to remain relatively level over the course of your lifetime. It may go up for just pure inflationary reasons and so forth, but the idea is that your monthly cost is not going to go up dramatically when you require care provided by that community.

In that case, yes, that serves in many ways like a long-term care policy. If someone doesn't already have long-term care insurance, that can be a good solution, but I wouldn't necessarily recommend that somebody have it who already has insurance that they drop it, because sometimes it can still be used even in that type of community.

My recommendation usually is, maybe they don't need as much coverage. Maybe they can trim the benefits back and reduce the premium a little bit, extend the elimination period on their policy or something like that, but those benefits may still be able to be used.

Now, there are other types of contracts offered by CCRCs that are what we would call "fee for service." All things being equal, they'll pay a little bit less on the front end in the way of an entry fee, but if they require assisted living or skilled care, that monthly amount could bump up to reflect the cost of that care.

In that case, having long-term care insurance can still be very beneficial, because even though they're providing the care, you still have the cost aspect and the long-term care insurance can help offset that.

The one thing I always try to emphasize is the difference between cost of care versus access to care. The long-term care insurance certainly addresses the cost aspect, but then you also have to think about where are you going to receive that care. It's important to keep those two sides of the equation in mind.

A lot of times somebody will think, because they have long-term care insurance, they don't have to do any more planning. That's not true. It just really addresses the cost aspect, not where the care will be provided.

Jason Parker: Yes, it's how you're going to pay for it, not necessarily … Boy, that's a great thought and an important way of looking at it.

What about age? At what age do people realistically start looking into something like a CCRC?

Brad Breeding: I would really recommend that somebody start to consider a CCRC, or really consider all their choices, to really begin planning for their later phases of retirement, I think what I would call the "mid-retirement years."

Generally we think of that as around age 70, and as long as somebody is still able to live independently and high functioning and all these kind of things, so those mid-retirement years, that's the time to really start thinking about, 'Is a CCRC right for me?' or maybe it's something else.

Still, no matter what the choice is, there's going to be planning involved, whether that's talking with your family members about your wishes, where you want to live, how you'd want your care to be provided, so forth.

So I think that around age 70, generally speaking, but again, those mid-retirement years is really the optimum time to be thinking about it.

Jason Parker: Do you have any data on what age most people are when they actually move into a CCRC?

Brad Breeding: The average is going to be in the late 70s or early 80s. One thing I'll say about that is that, even at that age, even those who are well into their 80s at CCRCs, statistically, what studies are showing is that they're generally a little healthier and more active than their peers on average.

You have a little higher entry age than you might find at a pure independent living community, but nonetheless, you will find also that many of the residents at CCRCs even well into their 80s are still quite active and healthy.

Jason Parker: Part of that, too, I think our listeners need to understand that a CCRC is really geared towards higher net-worth individuals, because we're not talking about a price point that the average person can necessarily always afford.

Wouldn't you say that's a true statement? These tend to be higher net-worth people that have taken really good care of themselves financially and physically, and so that's why maybe they're moving in at a later point?

Brad Breeding: That's true. You do see that a lot. The industry in many ways is thought of as kind of a higher end … You've probably heard them referred to as "cruise ship living" or "resort style retirement," and some do have rather substantial entry fees, and so yes, you're exactly right, although one thing I would say is that I think you'll see that starting to change.

I think the industry needs to change that perception somewhat. There's a bit of a divide because you have the higher-end communities and you do have some who are, there's some government support with assistance with rent and so forth on the other end of the spectrum. You'll find some out there that do have that as well.

Jason Parker: Is that right?

Brad Breeding: Yeah. It's not as many, but there are some out there. What you'll find or what I think you'll begin to see more of in the next decade or so is probably more they're kind of in the middle, where maybe it's not quite the level of services and amenities but still a really nice product, they're a really nice offering for a little bit lower price point. I think that's probably what's missing most in the marketplace right now.

Jason Parker: Brad, what's the Number 1 question that you get asked when you do these speaking events?

Brad Breeding: I'd say the Number 1 probably is, "How do I know the community's going to be around? How do I know particularly if an entry fee is involved? How do I know that the provider is going to be there when I need them?"

Jason Parker: Boy, that's a great one. I want to address fees here in just a minute. We'll do that right after the break.

One of the Number 1 questions you get then is, "Hey, we're having to pay money upfront to get into this thing and we want to know that it's going to be there for us when we need it." Give our listeners, before we go to break, an idea of what kind of entry fee we're looking at in most instances.

Brad Breeding: The average entry fee across the country is going to be somewhere around $125,000, but that can vary dramatically. Again, that's an average. You can certainly find some that are substantially higher than that and some that are lower than that.

Jason Parker: What do you get for an entry fee? What does that do? That just gets you in the door basically. You still have monthly rent that you're going to have to pay, so that's not covering everything. That's just saying, "Here's your upfront $125,000 to allow me to live in this place for the rest of my life," but then you have ongoing expenses on top of that.

Brad Breeding: That's right. You'll have an entry fee and a monthly fee as well. The entry fee, again, depending on the type of contract, it's going to cover various things.

In some cases, a portion of that entry fee could be considered a pre-payment of future healthcare expenditures. If that's the case, by the way, a fairly substantial portion of that could potentially be deductible.

Of course, you want to talk with your CPA and accountant or tax advisor before you come to a conclusion on whether that's the case for you, but if any portion of it's considered a prepaid healthcare expenditure, then that certainly is one option that a lot of people often aren't aware of.

Jason Parker: All right, Brad, we need to take our next break. We'll be right back after this.

Announcer: Are you 50 years or older and have at least $500,000 of investable assets? If so, this message may be beneficial for you. Are you confident that you will be able to retire and not run out of money? Are you concerned about higher inflation, higher taxes and what market volatility will do to your portfolio?

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Call his office at 1-800-514-5046 to receive your report free of charge. Again, call now at 1-800-514-5046.

Jason Parker: All righty, folks. Jason Parker here. I'm interviewing Brad Breeding. He's a CFP, president and cofounder of LifeSite Logics based out of Raleigh, North Carolina. He's developed a website to help consumers make educated, better decisions about continuing care retirement communities.

We're just about to really get into the nuts and bolts of the cost of these things. Brad just shared with us that, if you're just now tuning in, there's usually an entry fee for a continuing care retirement community, and you were saying on average, you're probably looking at about $125,000 just to walk in the door. Then you've got ongoing fees on top of that on a monthly basis for your living expenses.

Brad, help our listeners understand what it is they're paying for. You mentioned potential tax deductibility, and then also, we need to talk about refundability of those upfront fees.

Brad Breeding: That's right. A lot of these entry fees at retirement communities, CCRCs, are refundable, and the amount that's refundable can vary from one community or one provider to another. That's something that you're seeing more often than in the past.

Traditionally, it was just what was called a traditional [inaudible 00:27:20] contract where you paid your entry fee and after certain number of months you wouldn't get anything back if you moved out, or a death, your heirs wouldn't receive anything back.

Many communities now are offering refund options because that's a response to the marketplace that really didn't like the idea they wouldn't get any of that back. It's not uncommon to have a 50%, 75%, 90% or even a full 100% refund of entry fees offered by many contracts at CCRCs today.

Jason Parker: What's it based on? If you live there and you never end up needing any care, then you get the money back, or is it based on the amount of time you lived there? What determines whether or not there's a refund?

Brad Breeding: Really the refund is contractual and it's going to be paid no matter how long you're there, whether you move out or a death. It really isn't tied into the level of care that you need. It's 100% refund or … I shouldn't say 100%. Whatever that percentage is, it's going to be paid no matter what as long as the community is obviously still in a position to pay it, right? It really doesn't tie into the care.

Jason Parker: It has nothing to do with whether or not you need long-term care, so basically what they're saying is, "Give us $120,000 of your money upfront Day 1 and we guarantee," if it's a 50% contract, they're going to give you back $60,000 when your life terminates or you move out, either way.

Brad Breeding: Exactly.

Jason Parker: So they're just banking on the benefit of being able to use your money for that period of time? I'm not quite sure I understand what's the significance of the entry fee if they're just going to give it back to the people.

Brad Breeding: Obviously those are assets that they're able to use in the interim. You can think of it as maybe a country club that has an entry fee, so some of that is set aside for operations, perhaps some of it is set aside for improvements to the community and things like that.

Generally what they're doing is, when they pay the refund, in almost every case, that refund comes from the new entry fee on that unit. It's not like they're taking the money and setting it aside necessarily. It really is based on when that unit's refilled. That is usually when that refund is paid. The contract will state that, so it's very important for the consumer to understand what the stipulations are for receiving that refund.

Jason Parker: That seems to me like people could get into trouble in a hurry. If all of a sudden you can't find somebody to replace the person that's moving out or just died, and that happens often enough, they're going to have a hard time coming up with the refunds that they had promised to people. Doesn't that seem like you could get into trouble with something like that with those refunds?

Brad Breeding: That is certainly a possibility, and that's something that people need to be aware of.

What I always say is that, you want to look at the provider, you want to look at the track record. If it's a new community, then you can look at who's developing it. Maybe they have a parent organization or sister communities that they've also managed and you can ask about their track record. What it can do, you can look at what's the history of occupancy? What's the demand, then, for this community? How quickly do units typically turn around?

It really comes down to what's the demand of the occupancy in that community, so if there has been a history of high demand and it's a thriving community, then generally speaking those units will probably turn over quicker. Some contracts will even state that, "There's a certain time that we'll still pay that refund whether the unit's been reoccupied or not."

Jason Parker: Have you heard any stories of these contracts that promise to pay refunds, and then when the time came, there just wasn't any money available to make good on their promise, make good on the refund? Have you ever heard a story of that happening?

Brad Breeding: I haven't really heard of that happening specifically where they just said, "Sorry, we don't have it." I really haven't. That may be have taken place somewhere at some point, but I'm not aware of a specific case where that's happened.

There have been a few bankruptcies of these communities, but they're very few and far between. You tend to hear about them because, like most things, you hear about the bad things unfortunately that happen, but it's been a very small percentage, generally less than 1%, that have experienced bankruptcy, and even in most of those cases, the residents were made whole because usually what happens is another provider will come in and buy it out and that kind of thing.

Sometimes maybe they have fewer services available or maybe their monthly fees can go up a little bit, but generally with entry fees, those in most cases are made whole and I haven't heard many other [inaudible 00:32:32].

Jason Parker: You pay an entry fee to get in, and then you're going to pay monthly ongoing rent, if you will, to have your living facility. What on average are people paying for that cost? What's that look like, the monthly cost?

Brad Breeding: The monthly cost? On average, I would say the monthly cost is, and actually, I can't remember exactly what that number is off the top of my head, but I want to say it's somewhere in the $2,000-, $2,500-a-month range.

Jason Parker: So you're paying $2,500 a month. Does that provide you with anything like meals or transportation or community events? What do you get for your $2,500 a month?

Brad Breeding: Yes, it does. It generally provides meals, so there will be a meal plan, and sometimes there's different options for what you can choose there, unlimited activities and services on the community, obviously home maintenance, all exterior home maintenance is generally included in that, often utilities, there's property taxes that you no longer have to pay. You're not tied to those kind of things any longer.

There's a really nice worksheet that a lot of providers will offer to prospective residents and it basically goes and it says, "You can put down all of your current monthly expenses here on the left-hand side, and then on the right-hand side, you can see where we've put this particular expense is included and this one's included and this one's included." What it does is it really helps the resident understand what the true increase in their monthly cost would be to live in that community.

What you want to be sure to keep in mind is that let's just suppose that I spend $5,000 a month right now. Maybe that's my monthly budget at home, I haven't moved into the community yet, and maybe the community has a $2,500 monthly service fee.

My increased cost per month is not going to go from $5,000 to $7,500 necessarily because that $2,500 is going to cover a lot that I'm paying for at my house right now, so my true net increase may be much lower than what it seems to be at first.

Jason Parker: Is that a breakeven for most people? Is it pretty comparable with what they're currently paying versus what they are paying? Or do they find that it costs a little bit more to live in the CCRC or a little bit less?

Brad Breeding: I would say in most cases it may still cost a little bit more, but a lot of times that's okay because you really do get a lot in return.

What I hear a lot of times, it's just not all about the money. It's about the peace of mind, it's about living in a setting where I can still be plugged into things that keep me active and engaged, it's about having neighbors that share similar backgrounds and stories and things like that.

There's a lot more that goes into it than just the cost, but to answer your question, I think generally it would be a little bit more per month.

Jason Parker: CCRCs, it seems like I'm hearing a lot more about them locally in my community, and I think one of the reasons for that is we have a community that's been in a fundraising mode here down in the Gig Harbor area. They are looking at putting a new one in, so they've been doing a lot of presentations.

Any warning signs or red flags people should look out for with these types of living communities?

Brad Breeding: I think, for me, the biggest warning sign is if the sales staff won't answer questions that you have.

If you're asking about the financials, you're asking about who manages the community, what's their track record, what are your marketing plans, what are your projections, how do I know you're going to be around, all of these things, a sales staff that's open, wants to work in a collaborative fashion, that understands your concerns and wants to address those versus brushing them aside, for me, I think that's the Number 1 thing.

There's a number of questions somebody can ask to a community that's established and been around for a while.

Jason Parker: Can you get us a list of questions, maybe something we could post on the website, so if people are going through this analysis process, we can provide them with some kind of document that said, "Here are the questions you should ask when you're evaluating these?" Do you have something like that for our listeners?

Brad Breeding: Sure, absolutely. I'd be happy to provide you with a list.

Jason Parker: Awesome. Hey, Brad, we've got to take our next break. We'll be right back.

All righty, folks, welcome back. Jason Parker here. I have Brad Breeding on the program with us. Brad started a company. He's a president and cofounder of a company called LifeSite Logics based out of Raleigh, North Carolina.

This is fascinating to me, it really is, because, like he said earlier in the program, he said it's not just about being able to pay for the care, it's about the access to care and what you want this community to look like as you transition through retirement.

We have some clients, quite a few, actually, that are considering all of their retirement options, whether it's moving into a 55-plus community or preparing to maybe move into an assisted living facility, some people are looking at, "How do we get home care?"

A lot of people are considering CCRCs, and I have to tell you, so far, everything that I've heard has really been positive from the people that I know that have known somebody that's moved into a CCRC community. Brad is our residential expert. Brad, you have a book out on this subject, don't you?

Brad Breeding: I do, yes. I just put that book out earlier this year. It's really almost a guide at 68 pages, so it's a quick read, and what I tried to do is answer some of the more popular types of questions that consumers ask in a concise and easy-to-grasp fashion.

Jason Parker: Awesome. We have these clients that are considering CCRC. One of the questions that they had, they're still a little bit young compared to some of the numbers you were throwing out there from an age standpoint, but when they move into a CCRC, they like the idea of moving into a brand-new facility where they get to pick what their living situation's going to look like.

They want to be able to deck it out with the granite countertops and the trim, levels and the number of bedrooms. They really are attracted to this idea of being able to move into a brand-new facility rather than one that's been around for a long time.

Is there any resource that exists today that for people that are doing planning and saying, "Okay, I'm not ready to move in right now, but five years from now, I want to be on the waiting list for the facility that's going to be built in Hawaii so that we can start making preparations?"

Brad Breeding: I guess what you're asking is, is there something out there that shows what communities are slated to be developed in the coming years?

Jason Parker: Yeah, exactly.

Brad Breeding: There are a number of providers in the industry that have developed and managed multiple sites across the country. You're starting to see more and more of that.

I think where I would go first, I'm not aware of one source that covers all providers, but certainly you can go to some of the large providers out there and get an idea for they're planning to develop in the coming years.

Jason Parker: I know we have some clients looking at one in Hawaii and, boy, I kind of like the idea of waking up every morning to the beach roaring and walking on the beach. That sounds like it could be pretty good.

Brad Breeding: That's true.

Jason Parker: You said the Number 1 question you get asked is, "How do I know that this company is going to be there 10, 15, 20 years down the road? After the fact, after I'd paid my entry fee and I'm paying my fees, how do I know they're going to be there?"

How do people answer that question? What should they be looking for to make sure that they're working with a financially strong, financially stable company?

Brad Breeding: That's a very popular question, and there's not an easy answer. I tend to break it down between quantitative and qualitative factors.

One of the places to start, I think, is, number one, how long has the provider been around or how long has the community been around? Again, if it's a new community, then you can ask that of the parent organization, if there's a parent organization. What's their track record? What's their history of occupancy? Is there a strong waiting list to their communities?

Like any other business, what's the demand for the product? That's one of the most important things. A consistently high occupancy percentage, say, over 90% or so in their independent living, is very important because it shows that there's demand for that community, and plus, that's the lifeblood of the community. The independent living, those monthly service fees, that's the lifeblood of that community, so it's very important to maintain high occupancy.

You also want to look at things like, how well is the community being kept up? That's one of the qualitative issues that a community that's not been well kept, that can indicate that there's some financial stress or some other reason. Why is it not being kept up?

What's the experience of the management team? How many other communities have they managed and what's their track record, what's their experience?

You can ask about things like fee increases. What have been the, if fee increases? A normal increase of 3% to 4% per year is not uncommon, but if it's been higher than that or if there's a year where they really had to increase fees, what was the reason for that? Was there a shortcoming in the budget somewhere?

There's a number of things like that, and that would be included in the list that you asked me to share with you that you could provide to your listeners. There's a number of things like that, but that's just a few of them that people want to start with, and then there's some financial ratios that you can have reviewed by an accountant.

One thing I'll say, I've heard consumers say sometimes that you don't want to go to a community where there's debt. I always tell people, debt in and of itself is not a bad thing. It's more about the community's ability to service that debt. Debt could mean that they're expanding, could mean that they're improving their facilities, and all of those things are good as long as they can cover that debt.

Don't avoid a community just because they have debt. It's more about, are they able to manage and service that debt adequately?

Jason Parker: That's interesting. I have to say, I am fascinated. On your website, when people are comparing these different facilities, what are maybe the Top 3 things they're looking at when they're trying to make a decision about where they want to live the remainder of their life?

Brad Breeding: I tend to break the decision process down into four areas. I think whether people recognize it consciously or not, these are the four steps they go through.

The first is the lifestyle and the culture. After all, and this is where somebody's going to be hopefully for the rest of their lives if they make the right decision the first time, and so, what's the culture, what's the lifestyle, what's the setting? Is it a place where you'll feel comfortable? They should ask if they can stay a night or two in a guest suite and have a meal or two there, talk with some of the other residents, see if it's a kind of place they'd feel comfortable.

Lifestyle first, then, of course, understands the contract details. That's the second part of the decision process. We talked about that earlier, understanding what type of contract, what it covers, what it doesn't cover.

Financial stability of the community is the third aspect, and we talked a little bit about that, and then finally is healthcare, the quality of care, because at the end of the day, somebody's moving to a CCRC because they want to have that healthcare available to them if and when they require it.

You want to make sure that that type of care is quality care, that the healthcare facility is clean, that they do a good job, that the staff is happy. You want to ask about staff retention. How long do they stay around? Is the staff turnover a lot? If so, there could be some reasons for that. You want to make sure that quality healthcare is available.

Those are the four main areas that I think people generally look at when they're considering a retirement community.

Jason Parker: Awesome, Brad. I appreciate your expertise here.

Folks, if you're just tuning in, this is Episode Number 31, or I should say 031. We've been running the program for five years but we're numbering them now to make it easier for you to find them online. If you're listening to this in the future, you could always go to SoundRetirementPlanning.com, SoundRetirementRadio.com, look for Episode 31, where we discuss the CCRCs.

We'll have all the show notes there. Brad's going to get us the questions you need to be asking before you move into one of these facilities. We'll post that there. We'll also have a transcript of the program, so if you'd like to just read this at your leisure, we'll make that available for you as well.

One last thing, for our listeners, this is really cool. This year we started our Facebook community, Sound Retirement Planning, so just go to https://www.facebook.com/SoundRetirementPlanning. I'd love to hear from you. The reason we have Brad on the program right now is because somebody came into my office and said, "Jason, this is something I'd like to learn more about."

The Facebook community gives us that ability to communicate across the entire country, so not just with people that are walking into my office. I'd love if you connect with us on Facebook. Be a part of the conversation and influence the direction of this program. That'd mean a lot to me.

Brad, I wanted to know, if somebody buys in, they put up their $125,000 or whatever the initial upfront cost is, they're paying $2,500 a month, and then the stock market crashes, half their money's gone, and now they can't afford to live in the place anymore, maybe they'd lose all of their money, they've run out of money, what happens to those people?

Brad Breeding: Jason, that's a popular question as well. One of the things that I hear a lot is, "Will they kick me out if I run out of money?" In most cases, the answer is no.

About 80% of the providers out there are not-for-profit. The not-for-profit providers will often say that, "We're not going to kick you out. We're nonprofit and we won't kick you out. That's part of our mission," but at the end of the day, the community needs to really be in position financially to be able to do that without impacting other residents or putting the community at financial risk in general.

Does this mean that for-profit providers will kick you out? No, not necessarily. In some cases, they'll tell you that, yes, if you run out of money, "We can't keep you here," but a lot of providers, they develop relationships with their residents and the residents' families. They're very involved in the broader community and they are really passionate about what they do and they don't want to have to kick anybody out, either.

Even the for-profits a lot of times will manage an endowment fund, a nonprofit endowment fund or something like that that provides financial assistance.

I think, at the end of the day, really, very few providers want to kick anybody out, so to speak, and will do what they can to help keep residents there as long as possible, but when you get right down to the definition, yes, nonprofits, if they have the financial capacity to do so, that's part of their mission is maintaining residents for their lifetime.

Jason Parker: All right, Brad. What's the name of your book?

Brad Breeding: It's "What's the Deal with Retirement Communities?" This is available on Amazon.

Jason Parker: Then, for our listeners, will you give them your contact information, website again?

Brad Breeding: Absolutely. The website for my company, LifeSite Logics, and that's spelled L-I-F-E-S-I-T-E-L-O-G-I-C-S, .com.

Jason Parker: All right. Brad, we are out of time, but I just wanted to thank you so much for taking time out of your busy schedule to be a guest here on Sound Retirement Planning, Sound Retirement Radio.

Brad Breeding: Thank you. I really appreciate it. You're doing a great thing for you listeners providing some really good information, so thank you.

Jason Parker: All right. Take care.

Brad Breeding: Okay. You, too.

Jason Parker: Until next week, folks.

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