

Housing



Where do people live in retirement?

___% Stay put

___% Move within same area

___% Relocate

100%

Why stay put? vs. why relocate?



Where do people live in retirement?

- Rent or buy?
- What type of housing?
- Where to locate?

RETIREMENT LOCATION

With a major life event – graduating from school, getting married, getting a new job – people often change where or how they live. If they get to choose, they may ask themselves: "Where is the best place for me to live? What type of housing most suitable?"

As you approach retirement, you may want to ask the same questions. The answers will depend on your needs, who is living with you, what you can afford, and how you want to live your life in retirement. Once retired, you may find your housing needs changing more than once. Knowing what your options are can help you respond more effectively to new circumstances in your retirement.

This section focuses on the following housing and location questions and issues:

- What are the cost issues to consider?
- Should I sell my home?
- What would my ideal community be like?
- Should I live near family and friends?
- Is it better to own or rent in retirement?
- What types of housing are available?
- What are the pros and cons of retirement communities?
- How would I choose a nursing home if I, my spouse or parent needed one?

The exercise on pages 13-15, *Retirement Location: What Matters Most to Me?* is for you and your spouse or housemate to complete. It will help you clarify your housing preferences.

WHERE SHOULD I LIVE IN RETIREMENT?

According to the U.S. Census Bureau, after retirement about 5% of retirees move out of the county in which they lived. A further 25% move within the county – and 70% stay put.

People choose to move or stay put after retirement based on three major factors:

- Financial considerations
- Quality of life considerations
- Personal and family needs.

Perhaps the most important determinant of whether to move or stay put is finances. There are several aspects to consider.

Cost of living. The amount you pay to live in your current home – in mortgage, utilities, maintenance, insurance and property taxes – may be more than you want to spend on housing in retirement. You may want to consider other locations where the overall cost-of-living is lower.

Your home as a source of income. On the other hand, if you own your home, it can be a valuable asset, especially if it is mortgage free. You may want to sell it and move, using the profits to buy a

new home or to invest in some other asset. Or you may want to continue living in it and convert your equity into cash to use for other purposes. "Home equity conversion," as this is called, is a new idea that is currently available in only a few locations. Its purpose is to enable older people to remain in their homes although they could not otherwise afford to. Such conversions may involve loan plans, sales plans, or deferred payment plans.

You may want to consider taking in a renter to help cover the costs of your home. This person could also provide you with company, if you are living alone.

Taxes: income, property, sales, estate. What are current taxes and trends? Often, low rates of one type of tax may be offset by high rates of another type. State and local government planning agencies can be sources of information about projected tax trends. For information about the range of taxes on a state-by-state basis, you can consult resource organizations, like the American Association of Retired Persons (AARP), and state departments of revenue or taxation.

Employment opportunities. Many retired people enjoy working. If you think you will want to work, compare the job opportunities where you live now with those available in other locations you are considering.

Cost of moving. Moving itself can be very expensive. In addition, greater distance from family and friends may also mean higher telephone bills and travel expenses for visits.

Many retirees report that the physical aspects of where they live are of primary importance.

Climate. This can be extremely important for your health or your choice of recreation. Find out what the climate is *all year round* in a particular area you are considering.

Quality of neighborhood. Your current community may provide a range of social supports that is familiar and convenient. Finding something comparable in another location could be a challenge.

Stability of neighborhood. Consider the stability of your current neighborhood in relation to those to which you might move. Are friends and neighbors leaving or are they staying put? Is the crime rate increasing? Some places that were considered safe retirement locations years ago are now reporting increases in crime. The local Chamber of Commerce should have statistics on the neighborhood you are considering, including trends in population growth, construction, and so on. A local newspaper can also give you insights into local conditions and developments.

Type and size of town. You may have lived in a large, bustling city and now want a change of pace. Or, you may live in a non-urban setting and want the faster tempo or anonymity of a big city.

Size and convenience of home. Your home may no longer meet your needs – it may be too big or not suited to your physical condition. You may envision a different type of home, one that is perhaps not available where you currently live. Or you may be perfectly happy with the way your home meets your needs.

Scenic beauty. The overall environment of a particular location – its landscape and variety of natural and man-made structures – can add a dimension to living there that you may prize.

Transportation. Your current location may be within walking distance of all the services you need. Or it may provide fast, safe, and economical means of transportation, for example, bus or taxi service. Traffic congestion, parking problems, and the cost of gas are factors to consider when choosing a place to live.

Shopping facilities. Having variety and convenience in shopping can be important.

Lifestyle. Does the location you're considering have the ambience, pace, or style you seek?

For many retirees, the overriding consideration in deciding where to live is familiarity – with the people or the place. Many people are deeply attached to their homes or neighborhoods and want to live out their lives there.

Importance of living near family. Relationships with family and friends are a very personal matter. For some people, physical closeness to family is essential. For others, maintaining a certain distance from family works better. To still others, access to community involvement or cultural activities overrides all other concerns.

Friends. Proximity to friends is a personal matter. You may want close, continual contact or you may prefer less frequent interaction. You may want to move to start fresh and make new friends. As one retiree noted: "If you plan to move to another area, take your time and check out the *people* in the area you are considering. It's very important to seek new friends that are active mentally and physically."

Moving back to your roots. Retirement can be an opportunity to return to your old home town, where family and old-time friends may still live. Communicate with loved ones before you move. As one retiree pointed out: "Those who leave their children and move to a remote area, thinking that the kids will visit them often, are also disappointed. Those who want to go back to the land forget that they are not as young as they used to be, and tilling the soil and milking the cows becomes both a real chore and very confining."

Caring for elderly relatives. Nowadays, many retirees have elderly parents living with them or nearby. Your choice of living arrangements may be affected by what you anticipate your elderly parents will need in the way of housing and care. If your elderly relative needs (or will soon need) special services, such as adult day care, you may want to check the availability of such services in any community you are considering. The local area agency on aging can give you a list of the services that are available for assisting the elderly. You may want to call a few to find out the specifics – hours, costs, eligibility, and so on.

Health and medical services. Your current location may provide relatively quick access to quality doctors, dentists, and other health professionals who know you and your family. It may also offer subsidized health insurance coverage. Compare what's available in terms of quality, accessibility, and cost of services to other locations you are considering.

Recreation and sports facilities. Your current area may provide the recreational facilities and opportunities you value highly. If it doesn't, you might want to look for them in other areas.

Religious involvement. Retirement can allow you more time to devote to religion. Consider the opportunities for meaningful religious involvement offered in the area.

Cultural, educational and community service opportunities. Your current location may offer a wide variety of entertainment, museums, and other cultural activities as well as opportunities for community service. Other locations might not have the types of opportunities that you are used to.

You may want to live close to educational institutions to learn new skills or simply to fulfill personal learning goals.

RENT OR BUY

Once you decide where you want to live, you have to decide whether to rent or buy.

There are many good reasons for renting in retirement. One is to find out what living in a new area feels like *before* making a major financial commitment. If the area caters to a seasonal or vacationing population, you might want to take an extended vacation there to see what it is like during the off-season as well. In the words of one retiree: "Some new retirees spend a month at the best time of the year in a place they are considering without thinking of what the other eleven months would be like."

Another way to get the flavor of a community — news of events, people, local problems, and advertisements of what is available — is to subscribe to the local newspaper. Most such newspapers will mail out-of-town.

Of course, people who moved to a new location, especially people from your present area, can be a good source of information. But carefully evaluate what they say. Their reasons for moving might have been different from yours. Some people paint a rosy picture because they made the move and don't want to admit they made a mistake. Explore a new location thoroughly for yourself.

Instead of buying, some retirees choose to continue renting. Some sell their homes and then rent, since renting enables them to use the money from the sale of their home for non-housing retirement needs. Renting gives you more flexibility in changing your location later in retirement. Moving from a rented home or apartment is usually not as costly and complicated as selling a home. Renting also shifts the responsibility of maintenance from you as a tenant to the landlord.

On the other hand, renting can have disadvantages. Renters get no equity as a result of rental payments. There are no federal income tax advantages for renters as there are for homeowners, such as the deductibility of mortgage interest and interest on home equity loans. Renters have little control over other tenants and can be at the mercy of the landlord regarding maintenance and repairs. In some parts of the country, rental units may be converted into condominiums or cooperatives leaving tenants faced with the need to relocate or to purchase their unit. (Some conversions, however, protect renters' right to remain through "non- eviction" clauses.) In addition, while homeowners can look forward to the eventual end of monthly mortgage payments, rent goes on forever.

TYPES OF HOUSING

Most people prefer to live in a single family house because of the privacy, pride of ownership, and property control this allows. However, as your needs change, you may want to consider other housing options.

With a condominium, you own your individual dwelling unit and you have an interest in the joint facilities and common areas that serve the condominium complex. You pay a monthly common charge to cover maintenance and operating costs, in addition to paying off any financing charges for the purchase of your unit. In a **cooperative**, you own stock in a corporation that owns the dwelling units. Stock ownership gives you the right to occupy the dwelling unit. Monthly assessments cover the cost of maintenance services, taxes, and operating expenses. To sell your apartment share in a cooperative, you must obtain the approval of the corporation's board.

The most attractive features of **mobile homes** are low maintenance costs and relatively easy mobility. In many mobile home parks, residents can buy the site, enabling them to benefit from any appreciation in the value of the land itself.

Retirement communities are self-contained residential complexes that offer a variety of services to residents. These differ in many ways: the type of housing, which can be single family homes, multi-family homes or apartment units; the services offered, which frequently include various recreational facilities and activities; the ages of residents, who may be senior citizens only or any age.

Some retirees love the well-organized schedule of activities, the access to recreational facilities, and the personal interaction that many retirement communities offer. To these people, life in a well-run community is a "perpetual cruise." To others, the main appeal is to live with like-minded people of the same general age. Other retirees especially value the security systems that these communities provide.

Some people who reject living in retirement communities say they don't want the pressure to socialize that they associate with these communities. Other retirees prefer living in an area that has younger people and children as well as older residents.

If you are considering living in a retirement community but are unsure, you may want to try it out first. Many communities will let you rent on a weekly basis while you decide whether or not to buy.

Before you decide to move to any retirement community you should know if you are buying the actual house you will live in, or will just have the use of that house during your lifetime. Asking in advance can save you from some disturbing surprises later.

Life care communities, or "continuing care communities," are a recent development. These are self-contained "communities" offering the complete range of accommodations and services. Adults who are completely independent can enter the "community," living in regular housing or apartment units. As their needs change, residents can get the type and amount of assistance they need on the premises, ranging from help with household chores to medical or custodial care. Thus, residents are

assured that they will be taken care of for the rest of their lives no matter what level of care they need.

Such communities usually require a large up-front payment as well as fairly high monthly fees. If you are considering a continuing care community, you may want to have a lawyer or other professional review the residential contract, financing provisions, and the fiscal soundness and expertise of the community sponsor or manager.

Retirees report that it is critical to explore various housing options well in advance of retirement. Demand for these arrangements will surely escalate as the percentage of older Americans increases. It may be much more difficult to weigh your housing options and find what you want when you are pressed to make a decision.

An **accessory apartment** is a self-contained apartment unit within an existing house. It provides the best of shared housing and independent living – the safety and companionship of having someone else nearby with the privacy of living alone. This arrangement enables elderly parents to live with their children or a retired homeowner to take in a boarder.

If you decide to build an accessory apartment in your current home, check the zoning code to be sure that your building plan is acceptable in your community.

Elder cottage housing (ECHO housing) arrangements are similar to accessory apartments, except that the units are separate "houses," attached to a primary home or added to the property. The unit may be temporary or permanent. Again, check your local zoning code to be sure this type of structure is allowed.

There are many kinds of **shared housing** for older adults. These offer companionship and varying degrees of help in daily living. The simplest option is *shared housing*. Several adults share a home, including the living space, and all the responsibilities. On a larger scale, *senior housing* complexes offer separate apartments for living quarters and communal areas for meals and recreation. *Congregate housing* combines independent living with assistance, such as meal preparation, laundry services, medical attention, and recreational opportunities. Board and care homes are much like nursing homes. They offer older adults private or shared living quarters with an even greater degree of supervision and help with chores and personal care.

Shared housing arrangements may be for profit or not-for-profit. Those subsidized by the government, a union, or a private charity are able to keep charges to residents low. Others, however, can be very expensive.

The local area agency on aging should have lists of senior, congregate, and other group housing facilities. Organizations such as the National Shared Housing Resource Center act as clearing houses for information about the wide range of shared living arrangements. They can help you locate services that "match" people looking for a home to live in with those who want to take in a boarder.

If you, your spouse, or a relative were to need almost constant care, the usual living arrangements might not suffice. A **nursing home** may be one solution. Nursing homes can provide three levels of

care: skilled, for people needing full-time medical assistance provided by a registered nurse; intermediate, which includes personal care and some medical attention; and custodial care, which is primarily personal care. Medicare payments basically cover only skilled nursing care in a Medicare-approved facility.

When considering a nursing home, you may want to choose one that is convenient for you and other relatives to visit. You can get lists of such homes from the area agency on aging as well as from doctors and other professionals, relatives, and friends. If you are considering a nursing home, take time to visit several, to get a sense of how well they are kept up, how patients are treated, and what facilities and programs are available for the residents. For example, if your relative is expected to use up his or her savings to pay for the nursing home, be sure that payment from Medicaid – the state program that takes over when a person's financial resources fall below a certain level – is accepted.

Speak to people whose relatives are in nursing homes to find out about their experiences. Check licenses and accreditations. Be sure that the nursing home "bill of rights" (which assures that patients' basic civil rights are not violated) is posted and followed.

Waiting lists are long for most better nursing homes. Therefore, if you think a close relative will be needing one in the not-so-distant future, be sure to put his or her name on the home's list. If the name comes up and you are not ready, you can "pass" for the time being but keep the name on the list.

RETIREMENT LOCATION: WHAT MATTERS MOST TO ME?

FACTOR	IMPORTANCE RANKING (highest = 1, lowest = 20)
1. Climate	_____
2. Community service	_____
3. Cost of living	_____
4. Cultural and entertainment activities	_____
5. Educational opportunities	_____
6. Employment opportunities	_____
7. Family	_____
8. Friends	_____
9. Health and medical services	_____
10. Lifestyle	_____
11. Quality of neighborhood	_____
12. Recreation or sports facilities	_____
13. Religious involvement	_____
14. Scenic beauty	_____
15. Shopping facilities	_____
16. Size of house	_____
17. Stable neighborhood	_____
18. Taxes: income, property, estate, other	_____
19. Transportation	_____
20. Type and size of town	_____

RETIREMENT LOCATION: WHAT MATTERS MOST TO *ME*?

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17. Stable neighborhood	_____
18. Taxes: income, property, estate, other	_____
19. Transportation	_____
20. Type and size of town	_____

Resources for More Housing Information

Fox, Richard L., ed. *America's Best Places to Retire*. Vacation Publications Inc., 1996

Greenwald. *50 Fabulous Planned Retirement Communities for Active Adults: A Comprehensive Directory of Outstanding Master-Planned Residential Developments*. Career Press, 1998.

Kranz, Marion. *The Nursing Home Choice: How to Choose the Ideal Nursing Home*. Branden Publishing, 1998.

National Shared Housing Resource Center, Inc., 321 E. 25th Street, Baltimore, MD 21218; write this organization for information on shared housing.

Reverse Mortgage Locator. Lists local lenders who provide FHA-insured reverse mortgage loans. National Center for Home Equity Conversion, Suite 115, 7373 147th Street, Apple Valley, MN 55124

Savageau, David. *Retirement Places Rated*, 6th Edition. Frommer's, 2004.

Scholen, Ken. *Reverse Mortgages for Beginners: A Consumers Guide to Every Homeowner's Retirement Nest Egg*. Nchec, 1998.

Stern, Ken. *50 Fabulous Places to Retire*, 2nd Edition. Career Press, 1996.

Tips on Buying a Manufactured Home, revised 1995. This publication provides information on mobile and manufactured homes. Write to Council of Better Business Bureaus, 4200 Wilson Blvd. Arlington, VA.

Information from the American Association for Retired Persons (AARP) is available on the Internet: www.aarp.org.