

# Seniors Real Estate Specialist® (SRES®) Designation Course



## Student Manual V 2.2

**Version 2.2**

**IMPORTANT NOTE:** The SRES® Council and National Association of REALTORS®, its faculty, agents, and employees are not engaged in rendering legal, accounting, financial, tax, or other professional services through these course materials. If legal advice or other expert assistance is required, the student should seek competent professional advice.

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# Introduction

## Course Learning Goal

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The Seniors Real Estate Specialist (SRES®) Designation Course helps real estate professionals develop the business-building skills and resources for specialization in the 50+ real estate market by expanding knowledge of how life stages impact real estate choices, connecting to a network of resources, and fostering empathy with clients and customers.

## What You Will Learn

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### 1. Generations

- Learn distinguishing characteristics and trends of the 50+ market so that you can discern them in your own market area.
- Challenge stereotypes and draw valid generalities about 50+ real estate clients and customers.

### 2. The 50+ Market

- Adapt your communication and interpersonal approach to match generational expectations and preferences.
- Raise awareness of some dos and don'ts when striving to gain and serve the 50+ market.

### 3. 21st Century Retirement

- Consider how the economic challenges affect retirement plans and real estate choices.
- Develop sensitivities to 50+ issues and priorities when working with buyers and sellers, listing and showing properties, and managing transactions.

### 4. Aging in Place

- Raise awareness of the issues and factors that influence the decision to make a move, choose a community, and select a property.
- Evaluate your market area's attractiveness to the 50+market.
- Learn definitions of aging in place.
- Recognize how to make a home safe and comfortable for aging in place.

### 5. Independent Living and 6. Housing Options for Assistance

- Master the vocabulary of the range of housing options for the 50+ market.

- Learn the application of the federal Housing for Older Persons Act (HOPA).
- Identify key life stages and transitions in relation to housing choices.
- Gain an understanding of how Medicare, Medicaid, and Social Security impact the real estate decisions of 50+ clients and customers.

**7. Financing Options**

- Learn about the uses, benefits, procedures, and issues involved in reverse mortgages and other forms of home purchase finance.

**8. Tax Matters**

- Gain an overview of tax issues of concern for 50+ clients and customers.
- Recognize situations in which a tax-deferred 1031 exchange is possible and advantageous.

**9. Legal Matters**

- Maintain focus on the transaction and avoid inappropriate involvement in family matters.
- Manage legal liability risks, avoid conflicts of interest, and maintain confidentiality of information when providing services for 50+ clients and customers.

**10. Marketing and Outreach**

- Develop business-building outreach methods for communicating and gaining the 50+ market.
- Adapt presentation and counseling methods for 50+ buyers and sellers.
- Integrate social media effectively to serve the 50+ market.

**11. Working with Buyers and Sellers**

- Develop services that win and sustain client and customer relationships and position you as a trusted real estate advisor.
- Adapt presentation and counseling methods for 50+ buyers and sellers.
- Counsel clients on preparing and staging a property for sale.
- Maintain focus on the transaction and avoid inappropriate involvement in family matters.
- Recognize financial schemes and scams that victimize the elderly.

## **12. Building a Team and Resource Bank**

- Assemble a team of experts to help you serve 50+ clients and customers.
- Compile a knowledge bank about your market area's housing options, programs, resources, and services for 50+ clients.
- Use your knowledge bank as a business-building tool.

## **Exam**

At the end of the course, participants will be given a 50-question closed-book multiple-choice exam to test and reinforce achievement of course learning objectives. Successful completion is 80 percent correct—a total of 40 correct answers.

## **Activities and Class Procedures**

This course incorporates a variety of activities designed to involve students, such as work group assignments, exercises, and discussions. Students are strongly encouraged to ask questions and engage in class discussions and group exercises. The range of experience levels among students offers a rich opportunity for learning from peers. Your active involvement will enrich the learning experience for yourself and others.

## **SRES® Council**

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The SRES® Council, part of the NAR family, supports real estate professionals who specialize in serving real estate buyers and sellers aged 50 and older.

The SRES® Council connects you to a network of 14,000 referral partners. It positions you as an expert contact for incoming referrals as 50+ buyers look for the perfect retirement property and community; and a source of outgoing referrals when past clients move to other locations. For the many who plan to stay close to home as they downsize, upsize, and transition, NAR research shows that a client's friends and relatives are the leading sources of referrals.

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## Earning the SRES® Designation

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The SRES® designation is awarded to REALTORS® who successfully complete the required education course. It is the only designation of its kind recognized by the National Association of REALTORS®. The following three requirements must be met to attain the use of the SRES® designation.

1. Complete the SRES® Designation Course and achieve a passing grade (80 percent) or greater on the completion exam.
2. Maintain active membership in the SRES® Council. The SRES® Designation Course fee includes one year's membership in the SRES® Council (annual dues are \$99 thereafter).
3. Maintain active membership in the National Association of REALTORS® or international cooperating association.



## Earn Credit for Other REALTOR® Designations and Certifications

Completing the SRES® Designation Course also meets elective course requirements for earning the Accredited Buyer's Representative (ABR®) and Certified Residential Specialist (CRS) designations.

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## SRES® Member Benefits

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- National recognition as an official NAR designation
- *The SRES® Professional*, a bimonthly eNewsletter with information on senior-related issues, such as legislative initiatives, financial and legal matters, and housing trends
- Free monthly webinars to expand your knowledge on serving the 50+ market
- Customizable SRES® consumer newsletters
- Library of customizable marketing letters and scripts

## SRES® Designation Course

- Customizable, downloadable marketing materials: logos, brochures, ad slicks, postcards, press releases, news articles, and more
- Listing in a searchable online directory of SRES® designees, which can be viewed by potential clients and referrals
- Certificate and lapel pin
- Consumer website ([www.sres.org](http://www.sres.org))
- *Moving On* brochure and toolkit for your clients
- Access to an online network of resources to support your business

The screenshot shows the SRES® website interface. At the top, there's a header with the National Association of REALTORS® logo and the SRES® logo. A 'Member Sign In' section includes fields for 'Enter Last Name' and 'Enter NRDS or CSRE ID #', with a 'sign in' button and a link for 'I forgot my NRDS or CSRE ID #'. Below the header is a navigation bar with links: 'SRES® Council', 'Earn the SRES® Designation', 'Courses', 'SRES® Members', and '50+ Real Estate Resources'. The main content area features a large banner with the text 'Earn the 50+ real estate designation created just for you. Earn NAR's SRES® Designation.' and a button 'find an SRES® course'. Below the banner is a search section titled 'Find an SRES® Designee:' with dropdown menus for 'United States and US Territories', 'City', 'Select a State', and 'ZIP Code', and a 'search now' button. On the left, there are links for 'How to Become an SRES® Designee', 'How to Apply', and 'Benefits of an SRES® Designation'. A callout bubble points to a link that says 'Follow SRES® on Facebook and Twitter.' Another callout bubble points to a link that says 'Visit the Seniors Real Estate Specialist® website at [www.SeniorsRealEstate.com](http://www.SeniorsRealEstate.com).' Below the callouts, there's a section titled 'Are you prepared for the future of real estate? Earn NAR's SRES® Designation.' with text about Seniors Real Estate Specialists® and SRES® designees. A quote from Bonnie Phillips Dollinger, SRES®, is also present. At the bottom, there's a footer with social media links, a copyright notice '© 2013 Seniors Real Estate Specialist® of the National Association of REALTORS®', and a list of links: 'Earn the SRES® Designation', 'Privacy Policy', 'Courses', 'Terms of Use', 'SRES® Members', '50+ Real Estate Resources', and 'News & Events'.

**Follow SRES® on Facebook and Twitter.**

**Visit the Seniors Real Estate Specialist® website at [www.SeniorsRealEstate.com](http://www.SeniorsRealEstate.com).**



## SRES®—A Market Distinction

When you distinguish yourself as a specialist in the 50+ market, you can reference our network of professional resources that serve the needs of your clients. Many of our partner organizations are industry leaders and provide great references for education and tools to assist the needs of senior clients. These organizations also provide users with the ability to find an SRES® on their websites and provide discounted services to SRES® members.

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NATIONAL  
ASSOCIATION of  
REALTORS®  
*REALTOR Benefits® Program*



### Icebreaker Exercise: Memory Map

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Listing presentations, buyer counseling, and marketing efforts are more effective when focused on the needs, interests, and priorities of clients. Life stages and shared experiences influence how clients perceive the world and the future. What experiences and events influenced you? Your parents? Your grandparents?

Write down a memorable event from your childhood or youth that made an impression or impact. The event could be something you saw, heard, or experienced; the memories may be stories that include your parents, grandparents, friends, strangers, or organizations—any vivid memory, big or small, of an impactful event. Your instructor will divide the class into groups based on year of birth. First, identify your generational grouping (see page 12). Second, briefly share your memory with the group. Choose a representative memory to share with the class. As students from other generational groups share memories, think about how these events may shape attitudes, motivations, lifestyle and work style, likes, dislikes, hopes, fears, and outlook.

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# 1. Generations

Do you know where your market is going? Visualize your market 10 years into the future. Consider that in 2010:

- More than one-third of the U.S. population reached age 50.
- 17 million baby boomers, 20 percent, were age 60 or older.
- Generation X moved into middle age and began knocking on the door of age 50.

As we will see throughout the course, demographic forces alone will shape your future market as generations experience the life transitions—their own and their parents—that accompany aging.

The course focuses on the maturing G.I. Generation, the Silent Generation, and the baby boomers because they make up the 50+ market, now and for the next decade. But, interaction with Gen X and Gen Y members must be considered because they are the young adults who may be involved in the real estate decisions of their parents and elders. Of course, the baby boomers will be a particular emphasis because for the next couple of decades they will make up the most active 50+ market.

For ease of reference throughout the remainder of the course, the G.I. Generation and the Silent Generation will be collectively referred to as “matures” or “elders” and the specialty as the “50+ market.”

## **Generations**

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The first challenge in studying the groups and individuals who make up the 50+ market is developing a set of workable definitions and satisfactory terminology. Demographic statistics paint the picture of the maturing generations of home buyers and sellers in terms of numbers. With the leading edge of the huge baby boomer generation reaching age 60, there may be a natural inclination to think of the future of the mature real estate market in terms of that generational cohort and its distinctive characteristics. However, to gain the in-depth understanding of the senior market that can translate into business success for the real estate professional, all the living generations must be defined not only in terms of numbers and birth dates, but also in terms of attitudes, motivations, lifestyle and work style, activity levels, health, future plans, retirement readiness, and other characteristics.

Why is it helpful to take a look at generational commonalities and differences? Although not a substitute for learning about clients' and customers' individual preferences and lifestyles, generalizations can provide insight into what is important to them as well as how to best to communicate and market to them, their motivations, lifestyles, hopes, and fears.

Shared experiences of key events shape our outlooks and behaviors. Demographers generally agree that events experienced in childhood, youth, and young adulthood—the formative years—influence age-peers and shape attitudes and viewpoints, interpersonal behavior, career and family priorities, tastes, and other aspects of human behavior, both subtle and overt. Generalizations can provide a frame of reference from which to start understanding clients' needs and preferences. For example, as we will see in the material that follows, recommending an age-restricted community with lots of planned activities may be a big turnoff for a baby boomer who views himself as a rugged individualist, but would be just the right choice for his G.I. Generation parent. Consider too, your client may be a member of the generally cautious Silent Generation, but when it comes to making decisions about real estate and housing options, the client's skeptical Gen-X children may be very involved in making decisions about where and how their parents will live.

A fast-growing segment of the population is nonagenarians, people in their 90s, and centenarians, people age 100 or more. Census projections put the number of nonagenarians at 2.7 million in 2020. Although a relatively small percentage of the overall population, the increasing numbers of very elderly will challenge societal institutions' adaptability, particularly in the areas of medical care, long-term care, and housing. Current living centenarians in the U.S. population were born during the early years of the G.I. Generation. They have experienced the Depression, several wars, and all of the events experienced by later generations, plus personal losses as friends and family pass on. Nonagenarians and centenarians generally keep a positive outlook and have an innate ability to "let go" of life's sad events.

Let's take a look at the characteristics of the six living generations based on the most current U.S. Census Bureau population data.

## Six Living Generations



◀ **G.I. Generation**  
**1901–1924**  
 1.5% of population  
 4.8 million  
 Age in 2016: 92 & older

Energetic, patriotic, courageous, loyal, community oriented, hardworking, team players, respect for authority

**Silent Generation ▶**  
**1925–1945**  
 11.4% of population  
 35.3 million  
 Age in 2016: 71–91



Cautious, conformist, risk averse, unimaginative, industrious, prudent, unquestioning of authority, the “beat” generation



◀ **Baby Boomers**  
**1946–1964**  
 24.6% of population  
 76.5 million  
 Age in 2016: 52–70

Ambitious, optimistic, individualistic, immediate gratification, hardworking, competitive, materialistic, forever young

**Generation X ▶**  
**1965–1976**  
 16% of population  
 49.6 million  
 Age in 2016: 40–51



Skeptical, latchkey kids, isolated, cynical, entrepreneurial, independent, quality of life/family before career, self-reliant, pragmatic, reluctant to commit



◀ **Millennials, Generation Y**  
**1977–1994**  
 24.8% of population  
 77.2 million  
 Age in 2016: 22–39

Empathetic with elders. sheltered, tolerant, sensitive to multiculturalism, hopeful, over-scheduled, multitaskers, short attention span

**Generation Z ▶**  
**1995–**  
 21.4% of population  
 66.5 million  
 Age in 2016: 21 & under



Technology adept, connected, introverted, short attention span, individualistic, impatient, communication in online communities

Source: U.S. Census Population Summary File, [www.census.gov](http://www.census.gov).

## Test Your Generation IQ

Because brand names become an integral part of everyday life, they also become iconic of their eras. Can you match these brand names with the type of product?

1. Ben Franklin	(    )	A. Toothpaste
2. Braniff	(    )	B. Wine
3. Drexel Lambert	(    )	C. Magazine
4. Postum	(    )	D. Breath freshener
5. Ipana	(    )	E. Ford model
6. Spring-o-Lator	(    )	F. Laundry brightener
7. Life	(    )	G. Lipstick
8. SenSen	(    )	H. Transatlantic ship line
9. Annie Greensprings	(    )	I. Band leader
10. Barbasol	(    )	J. Shoes
11. Tangee	(    )	K. News service
12. Twiggy	(    )	L. Variety store
13. Wang	(    )	M. Gadget inventor
14. Jordache	(    )	N. Department store
15. Hai Karate	(    )	O. Savings reward program
16. Fairlane	(    )	P. Airline
17. Bonwit Teller	(    )	Q. Jeans
18. Little Boy Blue	(    )	R. Restaurant
19. Popeil	(    )	S. Junk bond broker
20. French Line	(    )	T. Fashion designer
21. Herb Alpert	(    )	U. Word processor
22. Pathé	(    )	V. Shaving cream
23. KonTiki Ports	(    )	W. Fashion model
24. Green Stamps	(    )	X. Men's cologne
25. Rudy Gingrich	(    )	Y. Hot beverage

## Knowledge Base for the Course

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Presentation of the course assumes that students have a foundation of knowledge of certain real estate principles and laws.

### ■ REALTOR® Code of Ethics

From time to time, course content refers to articles and standards of practice of the REALTOR® Code of Ethics. It is assumed that students know how to apply these principles in day-to-day business conduct. During the course, we will examine some of the distinct challenges involved in working with clients and customers in the 50+ market, particularly some very elderly, such as maintaining client confidentiality when other family members are involved.

### ■ Fair Housing Laws

All of the federally protected classes apply when working with the 50+ market. Although federal statutes do not specify age as a protected class, a number of states and municipalities do. And, as we will learn later in the course, federal law provides an exemption from familial status that enables age-restricted housing for residents aged 55 and older.

### ■ Agency Representation

As the course is presented, issues involving client representation—sellers and buyers—will be discussed. As with application of the Code of Ethics, real estate professionals who work with 50+ market clients and customers may encounter circumstances that appear to blur the lines of client responsibility. The course will examine how to remain true to agency representation principles, as defined by your state's real estate laws, in sensitive situations.

## The Next Chapter

Those aged 50+ represent a huge market potential because they possess most of the nation's personal wealth and home equity. Experienced practitioners attest that 50+ clients will buy and sell two or three times as they transition through life stages. As you gain a reputation as a trusted real estate advisor and demonstrate your expertise and empathy in serving the 50+ market, you will tap into a stream of future business. Let's take a closer look at the demographics of the market and how best to serve different generational groups as well as some myths and realities about aging.





## 2. The 50+ Market

As we learned in the previous chapter, the three generations of the 50+ market represent a huge business opportunity. If the core skills you use every day—prospecting, listing, counseling, providing services, showing property, marketing, and other skills—apply with this market, what is different? Do you have to be over 50 to work with this market?

Regardless of your generational “label,” conscientious and empathetic service wins a reputation as a trusted real estate advisor. Although generalizations cannot substitute for understanding individual mature and boomer clients or customers, they can help us be aware of the concerns, circumstances, and conditions of their lives and choices. Ask yourself: am I aware of how physical changes of aging impact mature adults and the elderly? Do I know how to adapt services? Let’s begin by exploring some myths and realities about aging.

## Myths and Realities of Aging

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### Myth: Old People Are All the Same.



*Accumulated experiences and life choices make older people a more diverse group than younger people.*

**Reality:** The diversity of interests and experiences of youth and middle age is no less present in mature years. In fact, older people are more diverse in important ways than younger individuals. Just about everyone knows someone who is a “youthful” 80 or an “old” 50. Health is a major factor in aging and genetics plays a role in both how quickly we age and what ailments we develop. But other factors are also determinants such as education, socioeconomic group, climate, societal expectations, activity level, nutrition, and social connections. Although we cannot control the environment into which we are born or our experiences of childhood, our actions and decisions as adults shape the course of life. And

each individual’s accumulation of life experiences is distinctly unique.

### Myth: Families “Dump” Relatives into Nursing Homes.

**Reality:** Nursing homes are a last resort for most families. Less than 5 percent of the elder population resides in nursing homes. For the most part, families provide in-home care with little or no outside support until the time of a crisis, such as caregiver stress, intervening family responsibilities, illness, or increased care needs. Services that allow elders to stay in their own homes or with family are the first choice. Reflective of a long tradition of caregiving across generations, African Americans are more likely to reside in extended households than their white age-peers.

### Myth: Old Equals Ill and Disabled.

**Reality:** Research by the Federal Interagency Forum on Aging finds consistently that more than half of respondents at all age levels rated their health as good to excellent.

“Individual’s beliefs about their own health status also have been found to influence their expectations of retirement and the retirement process itself.”<sup>1</sup>

Boomers, however, are less likely to assess their own health as very good or excellent than previous generations at the same life stage. In a study by the National Bureau of Economic Research, boomers reported more pain, chronic conditions, alcohol and substance abuse, and psychiatric problems. Boomers also report higher stress levels than earlier generations—from jobs, finances, commuting, and caring for parents and children. The study findings raise the question of whether



*More than half of respondents at all age levels rated their health as good to excellent.*

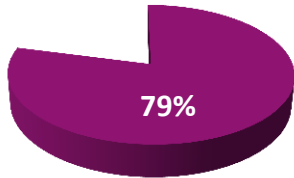
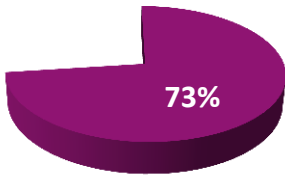
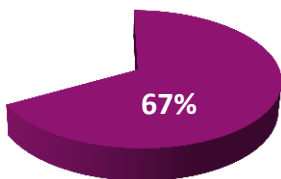
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<sup>1</sup>“Growing Older in America” *The Health and Retirement Study*, National Institute on Aging, U.S. Department of Health and Human Services. [www.nia.nih.gov](http://www.nia.nih.gov).

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**Self-Reported Health Status  
of Good to Excellent**

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**Age 65–74****Age 75–84****Age 85 and older**

Source: “Older Americans Update:  
Key Indicators of Well Being,” Federal  
Interagency Forum on Aging,  
[www.agingstats.gov](http://www.agingstats.gov)

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the baby boomers are entering senior and retirement years in worse shape than previous generations. While disability rates among the 65+ population have declined in the last 20 years, the trend may reverse if the baby boomers retire with more chronic and disabling health conditions. On the other hand, boomers—the “forever young” generation—are more health-conscious and have higher expectations than earlier generations; for their grandparents and parents aches and pains were a natural part of aging.

**Myth: Old People Are Lonely and Gradually Withdraw.**

**Reality:** Although the number of casual relationships may decline, mature and elder adults have close friends and relationships to the same degree that younger people do. Relationships with family and friends are an important part of satisfaction with life. Moreover, maintaining ties with friends, family, and the community is a major motivator for the desire to age in place. Only a small percentage of elders are actually alienated from family, usually due to long-standing estrangement. Most 50+ adults are members of a family network, see their children weekly, or have frequent telephone contact. But, for reasons of privacy and autonomy, most elders express a preference not to live with their children.

Transportation is an important factor in maintaining social involvement as well as accessing essential services and even needed medical treatment. The physical, mental, and financial factors that make it difficult for elders to drive also make it difficult to use public transportation. The involvement of volunteer drivers can help with both general and specialized transportation services.

### Driver Safety

The ability to continue driving is a top concern for maintaining independence. According to AARP research, older adults who are non-drivers are six times more likely to miss out on something they would like to do because of lack of transportation. AARP offers low cost online and classroom driver safety training and tips on talking to older drivers



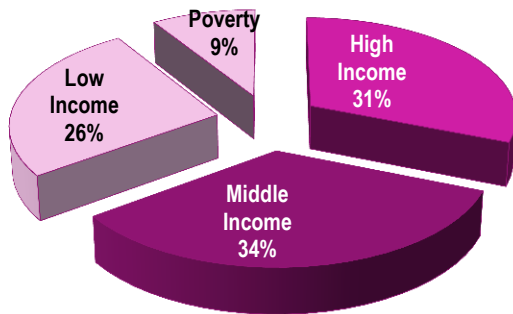
about their driving. The course tunes up driving skills and updates knowledge of the rules of the road. Drivers who complete the course may qualify for a discount on auto insurance. For information on the course including how to host an AARP Driver Training Course, go to [www.aarp.org/home-garden/transportation/driver\\_safety](http://www.aarp.org/home-garden/transportation/driver_safety).

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### Myth: Older People Are Richer, Poorer Than Young People.

**Reality:** Social Security has greatly reduced the number of older people living in poverty. In the 1960s, 45 percent of seniors lived in poverty and only 60 percent received Social Security benefits; by the 1990s, the overall elder poverty level was reduced to 10 percent with 93 percent receiving Social Security benefits. Among African-American and Hispanic elders, however, higher poverty rates persist—26 and 21 percent respectively. A number of mature adults are cash-poor and house-rich. For many seniors, their homes account for most of their net wealth.

Income Distribution of Older Americans



Source: "Older Americans Update: Key Indicators of Well Being," Federal Interagency Forum on Aging, [www.agingstats.gov](http://www.agingstats.gov).

### Myth: Older People Are More Likely to Be Victims of a Crime.

**Reality:** According to the U.S. Department of Justice, older people are less likely to be victims of crime than young people and property crimes are by far the most frequently experienced. However, personal safety and fear of crime are important factors in choosing a location. The fact is that when older adults are the target of violent crimes, they are more likely to experience severe injury and are also more likely to face offenders who are strangers.

### Myth: Every Retiree Wants to Live in Florida.

The geographic distribution of the older population follows the same pattern as the general population. The most populous states—California, Florida, Texas, New York, Pennsylvania, Ohio, Illinois, Michigan, and New Jersey—are also home to the largest percentages of older people. California, Florida, and Texas have the fastest growing older population.

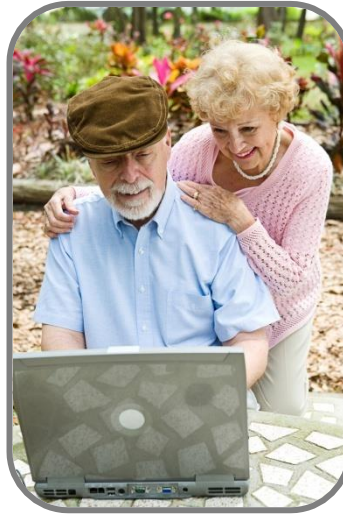
Eight out of 10 Americans live in metropolitan areas and so does the older population. About one quarter live in the central city. Metro elders cite access to cultural and educational events as important considerations. They also value the transportation, health care, and shopping available in metro areas that would be difficult to replace in small towns or rural settings. The tradeoff for metro living, however, may be a higher cost of living.

### Myth: Older People Don't Use Technology.

**Reality:** The generations aged 50+ are Internet connected. Using email and reading news updates rank first and second as the most frequent online activities, but social media participation is quickly catching up. Although some older clients may prefer face-to-face or telephone communications, for many checking email is part of the daily routine.

According to the Pew Research Center, 35% of adults aged 65 and older use social networks like Facebook and 24% of adults aged 50 and older use messaging apps like WhatsApp or iMessage, compared to 8% of adults aged 65 and older who use online discussion forums such as reddit.<sup>3,4</sup> How does this age group use social media?

- Reconnect with people from the past.
- Reach out for support online, especially those dealing with chronic health conditions.
- Maintain contact with far flung family members.



*"There are few other spaces—online or offline—where tweens, teens, sandwich generation members, grandparents, friends, and neighbors regularly interact and communicate across the same network."<sup>2</sup>*

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For “snowbirds” and those who are constantly on the go, email or social media may be the most reliable way to keep in touch.

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<sup>2</sup> Mary Madden, “Older Adults and Social Media,” [http://pewinternet.org/ Reports/2010/Older-Adults-and-Social-Media](http://pewinternet.org/Reports/2010/Older-Adults-and-Social-Media).

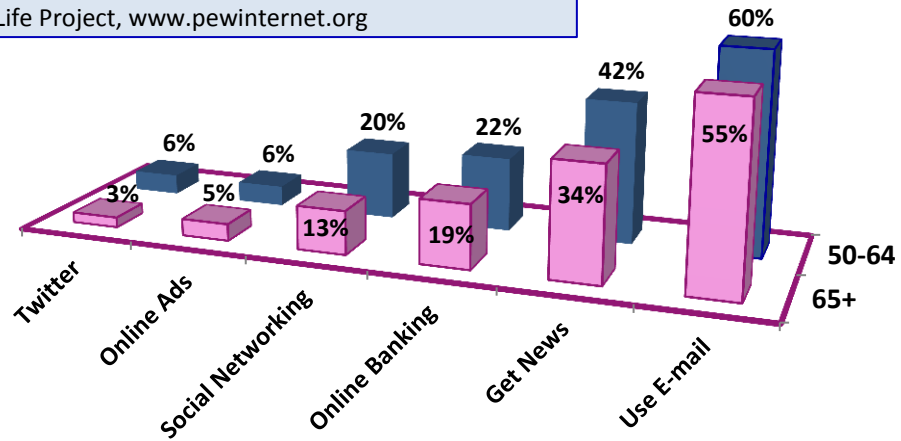
<sup>3</sup> Andrew Perrin, “Social Media Usage: 2005–2015,” Pew Research Center, [www.pewinternet.org/2015/10/08/social-networking-usage-2005-2015](http://www.pewinternet.org/2015/10/08/social-networking-usage-2005-2015).

<sup>4</sup> Maeve Duggan, “Mobile Messaging and Social Media 2015,” Pew Research Center, [www.pewinternet.org/2015/08/19/mobile-messaging-and-social-media-2015](http://www.pewinternet.org/2015/08/19/mobile-messaging-and-social-media-2015).



**A Typical Day for Internet Users 50 to 65+**

Source: Pew Research Center, Internet and American Life Project, [www.pewinternet.org](http://www.pewinternet.org)



More than half of American workers aged 55–59 use computers all or most of the time in their jobs.<sup>5</sup> Technology-savvy boomers will take their computer skills and expectations with them when they retire from the workforce, and many consider an Internet connection one of life's basic needs.

## Understanding How We Age

Knowing about the physical aspects of aging can help you better understand and serve the 50+ market. The good news is that, in the absence of disease, normal aging can be a rather benign process. Genetic and environmental as well as lifestyle factors determine how we age. There's good news about aging. A long life span provides the benefit of greater perspective on life, self-knowledge, and a new depth to our gratitude. We become less concerned with what others think about us, except for physical appearance. Many life decisions—marriage, child rearing, career, retirement—are settled and are no longer worries. Some might say a pleasure of “settling scores” comes from living well and “outliving those who were mean to us.” Respect for one's own experiences, feelings, and opinions all contributes to successful aging as does respect for the body through daily exercise and a healthy diet.

<sup>5</sup>“Growing Older in America,” *Health & Retirement Study*, National Institute on Aging, U.S. Department of Health and Human Services, [www.nia.nih.gov](http://www.nia.nih.gov).



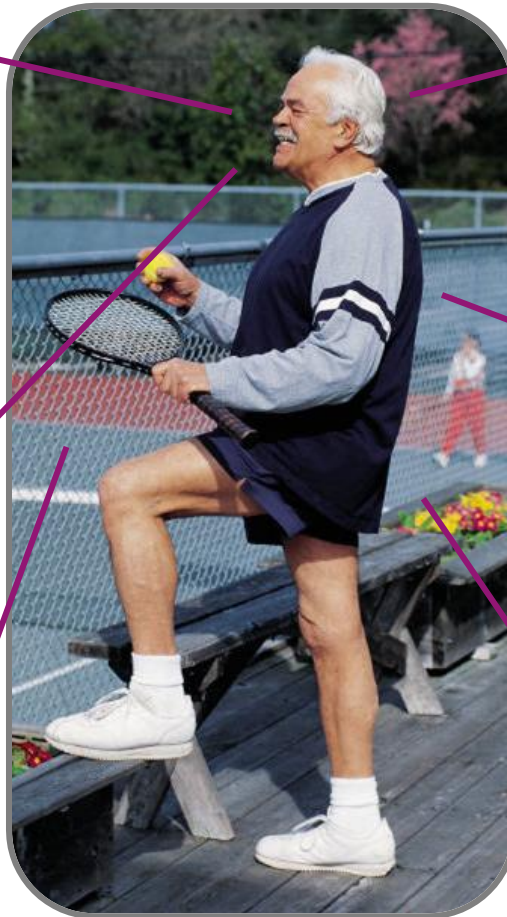
## Understanding How We Age

**Cognitive Ability:** The abilities to learn, adapt, adjust, and express creativity are quite durable throughout life but are influenced by interests and motivations. The habit of lifelong learning maintains cognitive ability. Language and problem-solving skills do not diminish, but intuitive emotional right-brain thought tends to take precedence over logical left-brain thought. Although the ability to recall names and events may decline, long-term “crystallized” memory is quite durable. Mild cognitive impairment (MCI), more prevalent than destructive dementias or Alzheimer’s disease, doesn’t interfere with activities of daily living or social interaction. Depression can be mistaken for cognitive impairment.

**Vision:** As we age, being both near and far-sighted is increasingly common. Low vision is more common than complete blindness. Subtle color differences become less distinct. At night, glare from oncoming traffic’s headlights and wet streets can make driving difficult.

**Hearing:** Hearing impairment usually starts with loss in the higher register tones and works the way down until it reaches the tone-range of speech.

**Health:** By age 70 almost everyone experiences one or more of seven common chronic health conditions: arthritis, high blood pressure, heart disease, diabetes, lung disease, stroke, or cancer.



**Height:** Posture, spinal alignment and compression, and falling arches all can cause decreased height.

**Weight:** Weight increases in men until mid-50s and in women until late 60s, then gradually decreases for both genders. Increased body fat and slow metabolism cause medications to stay in the body much longer.

**Temperature:** We become more vulnerable to heat stroke, hypothermia, and dehydration as the ability to maintain normal temperature and blood pressure decreases.

### Working with Matures

- Remember full-service gas stations; feel that “service isn’t what it used to be”
- May appear indecisive, overly cautious
- Afraid of out-living their assets
- Decisions are driven by circumstance, not the market
- May be concerned with image when downsizing
- Value personal referrals
- See technology as a handy tool for communications, news, and personal business
- May have little to occupy their time and may fill it with repeated phone calls to the real estate professional

### Working with Boomers

- Value convenience and customization
- Do not need emotional support or hand-holding
- Hate rules
- Generally not need-driven or in a hurry
- Value representation of interests, managing the process, pricing properties right, and one-stop shopping
- Expect a timely response, but not necessarily instant turnaround
- Want and expect expert services and advice
- Do not want information they can find themselves
- Comfortable with technology—it’s a basic need

### The Real Estate Professional Should

- Help them feel empowered to make a good decision
- Provide testimonials and résumé
- Strive for face-to-face communication, courtesy, and formality; address them as Mr. and Mrs., do not use first names
- Be on time for all appointments
- Shake hands (“my word is my bond”)
- Ask a lot of questions to find out what they really want and don’t patronize
- Offer options and explain all the details
- Schedule a specific time for follow up and explain that you will address their concerns during that appointment
- Be aware of physical limitations

### The Real Estate Professional Should

- Emphasize your network of experts
- Be able to back up knowledge with experience and credentials
- Provide the highlights
- Marketing should be age targeted, not age restricted (boomers hate rules); anything labeled as “senior” is a tough sell
- Inspire loyalty by demonstrating what you are doing for them
- Interact in person, by telephone, or email
- Appeal to the active lifestyle

### The Client Across the Desk

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The core skills and processes that you use when working with any buyer or seller are applicable when working with the 50+ market. So what is different?

#### ■ Life Stage Needs and Wants

Viewpoints on real estate ownership change as adults move through the years before and during retirement. Real estate professionals need to understand how these life stages affect decisions to sell or buy real estate as well as needs and wants. A counseling session might include discussion of factors such as favorite leisure activities, preferences for community and group activities, health, mobility, and continued career plans. But, it's important not to make assumptions. For example, not every retiree wants to downsize; some may be planning ahead for grandchildren's visits, room for hobbies, or a home-based business.

#### ■ Health and Activity Stage

It may be more productive to profile prospects in terms of health and activity stage than age and to consider how these influence needs and wants.

#### ■ Who Has the Aging Issue?

Consider also who has the aging issues. Elder parents and adult children may have conflicting concerns, expectations, and priorities. The real estate professional must learn how to uncover root issues and sometimes help clients balance priorities. For example, when parents move in with their adult children, the aging issues are those of the elder parent, even though both the parent and adult child qualify as 50+ market prospects.

#### ■ May Be a Long Time Since the Last Transaction

Most 50+ adults are homeowners and have experienced selling and buying real estate. However, it may have been a long time since the last real estate transaction and many things may have changed in the interim. The experience gap may make a client as apprehensive as a first-time buyer. Lack of motivation or indecision may mask as worry over the process and the ability to see it through successfully. On the other hand, some mature adults work through a cycle of upsizing and downsizing, manage real estate investments, or apply business experience to the transaction.

■ **Emotional Time**

The sale of a home may be the result of a major life event, such as loss of a spouse or a disabling illness, and understanding the dynamics of this situation is important to providing supportive client service. Because it may be a very emotional time, the real estate transaction is imbued with meanings and sensitivities that would not be factors for younger clients. For example, posting a sign on the front lawn not only makes the sale of a long-owned home a reality but may also signify letting go of cherished memories and attachments.

■ **Loss of the Financial Decision Maker**

When one spouse passes away it may mean the loss of the family financial decision maker. The surviving spouse may have an incomplete picture of the family finances and little experience with evaluating and making financial decisions.

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**Learn About Interests and Concerns**

A good way to learn about 50+ market interests and issues is to subscribe to senior magazines and read what they read.

- **AARP Magazine**, [www.AARP.org/magazine](http://www.AARP.org/magazine)
- **Grand Times Magazine**, [www.grandtimes.com](http://www.grandtimes.com)
- **Reminisce Magazine**, [www.reminisce.com](http://www.reminisce.com)
- **Trailer Life**, [www.trailerlife.com](http://www.trailerlife.com)
- **Senior Citizen Journal**, [www.seniorcitizenjournal.com](http://www.seniorcitizenjournal.com)



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**Working with Gen X and Gen Y**

Why do we need to consider working with Gen X and Gen Y when the focus is on the 50+ real estate market? These generations are the children of Silents and boomers and may be involved in the decisions about where and how their parents will live. On page 28, we will take a look at some traits of Gen X and Gen Y.

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## Practitioner Perspective: It Takes a Village



*Building trust with older clients is about knowledge and information.*

Lisa Dunn, GRI, SRES®  
RE/MAX Results  
Edina, Minnesota  
lisa.dunn@results.net

When you're working with older people, it's really important to remember that it takes a village to help a senior move. You can't do it alone.

### ***My Specialty Is Demographic, Not Geographic***

I work in the Minneapolis–St. Paul area, but my specialty is demographic, not geographic. About 90 percent of my business involves working with seniors. In the Twin Cities there is a high concentration of seniors aged 75 and older. I sell everything from \$500,000 homes to those that have a lot of delayed maintenance. I've been licensed since 2003 and specialized in real estate for seniors since the day I became licensed. I earned the SRES® Designation in 2007.

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### ***It's About Knowledge***

For young real estate professionals, I think building trust with older clients is really the same as for any real estate professional. It's about knowledge and information. You must have a deeper and broader knowledge of aging issues. You have to know senior housing, estate issues, and elder issues or you can't effectively work with seniors. But I don't think it has to do with age—it has to do with knowledge. It instills trust when clients can work with someone who gives them good information.

### ***Earning Trust***

One way that I earn trust is through the other professionals who give me referrals. I already have a leg up when someone the clients trust gives a referral. The first time I meet with clients, I don't ask them to sign anything. It's strictly informational. And I encourage clients to have a concerned person or family member present at that first meeting.

### ***Adapt Communication***

You can't do purchase agreements via faxes and emails with this group. It's almost all face-to-face. So there is a lot more travel time in your car. It's a lot more face time compared to say a first-time home buyer. It's very hands on.

For someone starting out I would say to find an elder law attorney you trust and find other resources that you can refer senior clients to. And do a couple of transactions with someone who has worked with seniors a lot. This is a really experiential business and the best way to learn it is to get in and do it.

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### Working with Gen X

- Want you to provide access and get the paperwork done
- Do not need “hand-holding” or emotional support
- Pragmatic, risk-takers, results oriented
- Sense of entitlement
- High tech/low touch
- Expect prompt response
- Skeptical
- Rely on themselves to find data
- Awareness level is very high
- Already know the good deals

### Working with Gen Y

- High tech/low touch
- Pragmatic, but empathetic with elders
- Tolerant of diversity
- Prefer directness over subtlety, action over observation
- Crunched for time, always multitasking
- Heavily influenced by media and peers
- High speed, instant access is expected
- Technology is a way of life
- Influenced by the look of your website, Facebook page, blog

### The Real Estate Professional Should

- Help negotiate price and details
- Handle the paperwork
- Fill in information gaps
- Help interpret information
- Provide fast responses (maximum two hours)
- Deliver everything “yesterday”
- Realize there is only one chance to get it right
- Do not try to “sell” them anything

### The Real Estate Professional Should

- Above all, keep cool
- Be accustomed to multitasking
- Communicate by texting, social media
- Avoid pretensions
- Never overpromise

### Exercise: Generations

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It is important to take into consideration both the client and anyone who might be involved in the real estate decision-making process, such as children and relatives. Your team of experts (discussed later in this course) will probably include individuals from across the generational spectrum, too.

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**What are the ages of the oldest and youngest persons in your family?**

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**What are the ages of the oldest and youngest persons in your office?**

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**Where do you fit in the range of ages and generations in your family and office?**

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**How do the generational differences impact communications in your family and office?**

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## Practitioner Perspective: Paying It Forward

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*You must act with a selfless spirit and help without hoping for repayment.*

Barbara Fairfield, ABR®, CIPS, CRB,  
GREEN, SRES®, SRS  
NextHome Gulf to Bay  
St. Petersburg, FL  
barbaraairfield@gmail.com

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The age dynamics of who we are as real estate professionals and who our clients are—these dynamics are changing. A colleague once said he noticed that his clients were getting older but he was not. However, in the future, the majority of our clients may be in the 50+ age bracket. So if you close yourself off from the 50+ marketplace, you close yourself off from the future and the maximum number of clients.

### **Personal Experience**

The majority of my real estate business is in the 50+ market, and I've personally experienced every aspect of the SRES® course with my parents or neighbors. I've also learned that the person who is open to understanding the clients across the desk and adapting to their needs is the person who will be successful in this market niche.

### **SRES® Opens Your Eyes**

In my classes, the students are from all the generations. The SRES® course opens your eyes to what it takes to interface with the 50+ market, which right now includes boomers, Silents, and the G.I. Generation. You need to understand their attitudes and what they want and need from a real estate professional. Some of my students have told me that they understand the dynamics of the generational differences in their own families better after taking the SRES® course.

### **Often Dealing with Crisis Needs**

When you are working with the older side of the 50+ marketplace you are often dealing with crisis needs. You may be called to someone's home because they fell and were injured in the home and they are now wondering if they should sell and move somewhere else. Or they just can't take care of the property any longer and they think the only solution is to sell it. It's very emotional too. The children may go to visit their parents' and find everything in a mess. They realize that their parents' quality of life is really suffering. The house is a mess and the parents can't take care of it or themselves. And the kids wonder, "Who do I call? How am I going to find someone who I know will have my parents' best interests at heart and not just their own wallet?"

### **Pay It Forward**

I think that from a real estate perspective, the kind of person needed is someone who has that pay-it-forward attitude. The attitude of, "I'm going to help you and do what is best for you. Even if it means not selling your property but helping you to remain in your home." You must act with a selfless spirit and help without hoping for repayment. I think that is what it's all about. That is paying it forward and that is what an SRES® can offer. I once heard that there are people who have a passion for money and there are people in the business who have a passion for the business. And I think the latter is a true professional and an SRES®.

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### Exercise: Interview Your Elders

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On your own time, interview your parents or grandparents. Learn about their ideas, outlook on life, retirement, and senior years. You may be surprised by what you will learn.

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## The Next Chapter

In this chapter, we examined how generational experiences shape our outlook and interactions with others. In the next chapter, we will look at how the concepts of career and retirement are changing as boomers reach retirement age. Boomers have reshaped every stage of life—from childhood to maturity—and they will undoubtedly rewrite the concept of retirement. We will also look at some of the new realities of retirement in the 21st century.



### 3. 21st Century Retirement

Beginning January 2011, baby boomers started reaching age 65 at the rate of 10,000 every day and by 2030 all of the generation will reach that age milestone. As baby boomers reshaped every phase of life from childhood onward, there is little doubt that their attitudes and expectations will write a new story of retirement. A theme of reinvention and adaptation runs through their lives and they will undoubtedly reinvent retirement.<sup>6</sup>

Boomers intend to age in place, but their housing needs will change as they grow older. A big question is whether boomers will see their homes as an asset that can be tapped to support their retirement years or echo the attitudes of the preceding generations who would never put their homes at risk.

This chapter will look at forces and attitudes redefining the retirement landscape of the 21st century. The real estate professional who knows how these forces and attitudes influence client behavior and choices can gain a competitive edge. The retirement generations, including baby boomers, are used to seeking out and trusting the advice of experts, and you want to be the trusted real estate advisor.

## Changing Concept of Retirement

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When President Franklin Roosevelt signed the Social Security Act in 1935, legislators intended to provide a secure retirement for the few years between the end of working life and death. At the time, average life expectancies in America were 58 years for men and 62 years for women; actuaries assumed that disease would claim the lives of many before they were eligible for benefits. Advances in health care and treatment of life-shortening diseases have lengthened lives; on average Americans now live to the age of 78 years. Preventive medicine, along with nutrition and exercise, emphasizes adding healthy years in middle and later life, not just extending years of infirm old age.

Retirement is now the “second half of life” or a time for an “encore career”—a time for reinvention and redefinition. This new concept presages baby boomers’ image of the ideal retirement at a time when thousands of this generational cohort are poised to reinvent themselves as retirees.

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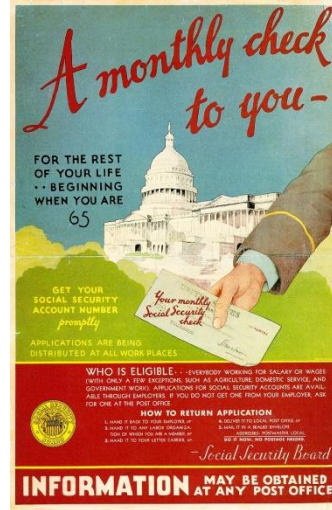
<sup>6</sup> MetLife Mature Marketing Institute, “Boomers: The Next 20 years,” *Ecologies of Risk*, [www.MatureMarketingInstitute.com](http://www.MatureMarketingInstitute.com)

#### The Ideal Retirement—Mature Generations Versus Boomers

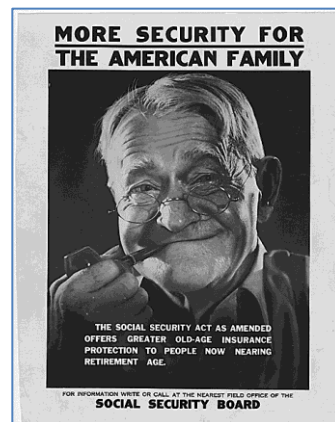
Age-restricted and active adult communities were designed for and built by the mature (GI and Silent) generations. For them, the ideal retirement was a time of withdrawal from work and responsibility for a life of endless leisure in a warm climate. Most of the retirement institutions in place today—health care delivery, government programs and expectations such as age milestones—were designed for this concept of retirement. But, when it comes to age-restricted housing, less than half (48 percent) of baby boomers say they would consider it.<sup>7</sup> And housing choice is not the only way the boomers are re-imagining retirement.

Baby boomers see the ideal retirement as continued employment in a flexible environment with part-time work or interspersed periods of leisure and work. When asked the motivation for continuing to work, continued mental stimulation and challenge outrank continued earnings. They also seek intergenerational interaction; association with younger people helps the forever-young boomers stay that way. NAR's research study of baby boomers and real estate found that the median age at which they plan to stop working is 70 years and a significant number of boomers never intend to stop working. Not surprisingly, those who feel the least prepared for retirement intend to continue working the longest.<sup>7</sup> A significant portion of today's current retirees are returning to the workplace. Among retirees born between 1933 and 1937, almost a quarter are also re-entering the workforce for financial reasons, to stay busy, and interact with others.<sup>8</sup>

Boomers are coming to the realization that their parents' ideal retirement is not only unaffordable, it is boring. Although they are still



*The face of American retirement in 1935, the year of Social Security enactment.*



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<sup>7</sup> "Baby Boomers and Real Estate: Today and Tomorrow," National Association of REALTORS® Research, [www.Realtor.org/research](http://www.Realtor.org/research).

<sup>8</sup> "Work and Retirement Patterns for the G.I. Generation, Silent Generation, and Early Boomers: Thirty Years of Change," Urban Institute, [www.urban.org/publications](http://www.urban.org/publications).

figuring it out, boomers will force institutions and old models to adapt and workplace disincentives to fall away.

## Impact of Economic Recession

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For the mature generations (GI and Silent) who were touched by the Great Depression, this last economic recession we experienced was



*The Woodstock generation is coming to the realization that their parents' ideal retirement is not only unaffordable, it is boring.*

nothing new. They already know how to cope with lean times. But they also experienced the long bull markets of 1953–1959 and 1981–1989 and post-war prosperity without global competition. A number also benefitted from generous defined-benefit pension plans that guaranteed a percentage of salary.

Boomers have experienced two long-lasting bear markets during their peak earning years—2000–2003 and 2009–2014—and as well as some continuing market volatility in some sectors. Some Boomers are still trying to get their financial houses in order. This last economic recession hit at a time when, for those closest to retirement, there was less time to recover financially. Some analysts believe that the economic recession that began in 2008 had little impact on the retirement plans of boomers because their dreams were already modest. They were planning to work during retirement anyway.

So could there be a silver lining for boomers' continued employment? Retirees who continue to work also continue to pay taxes; they may relieve some of the economic burden that demographers predict will overwhelm the Social Security system.

## The Ideal Retirement Location

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When asked to describe the ideal retirement location, a suburb, small town, or rural location in the South or West is the most favored. Practitioners in these states report that many of the newly retired arrivals are active adults from Eastern and Midwestern states. For these retirees, the most important factors in selecting a location are:

- Low cost of living
- Better climate
- Near family
- Near a lake, river, or ocean
- Access to quality health care

Overall, Boomers are planning to stay close to home with almost two-thirds planning to stay in the same state. In some cases, with continuing work as an economic necessity, proximity to employers who hire older workers may become a compelling factor for choosing a retirement location.

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#### Silver Collar Cities

Based on statistics from the U.S. Census Bureau's American Community Survey, the following metro areas qualify as "silver collar cities" where large percentages of workers continue employment past retirement age. A common denominator is large concentrations of government employers and educational institutions as well as retired white-collar executives who become consultants.<sup>9</sup>

- Washington, D.C.—30.2%
  - Anchorage, Alaska—28.6%
  - Madison, Wisconsin—28.1%
  - Southern Connecticut: Bridgeport, Stamford, Norwalk—27.6%
  - Trenton, New Jersey—26%
  - Houston, Texas—25.9%
  - Des Moines, Iowa—25.9%
  - Salt Lake City, Utah—25.8%
  - Dallas/Fort Worth, Texas—25.6%
  - Denver, Colorado—25.2%
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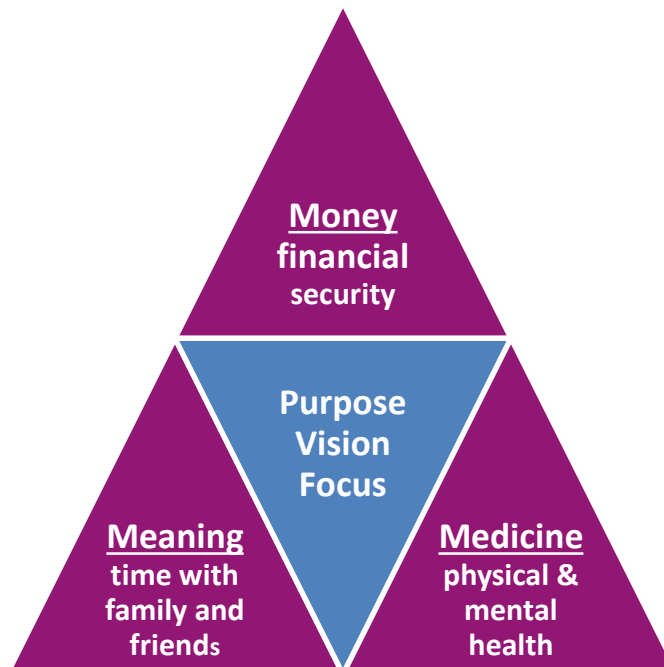
<sup>9</sup> Daniel Fisher, "America's Silver-Collar Capitals," Forbes.com.

## The Good Life—Money, Meaning, Medicine

The MetLife Mature Marketing Institute asked the question: What constitutes the “Good Life”? All generations responded that three things were important: money (financial security), meaning (time with family and friends), and medicine (good physical and mental health). The Good Life is imbued with having a sense of purpose, defined as:

- Vision—clarity about the path to the Good Life
- Focus—knowing and concentrating on the most important things

People aged 45–74 report a great clarity of vision and focus than those aged 25–44. The older group focuses more on meaning-laden activities. “Discovering purpose is an ongoing quest rather than a one-time trip to an exotic land. It is likely to change a number of times as individuals grow older and their experiences and goals expand and shift.”<sup>10</sup>



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<sup>10</sup> MetLife Mature Marketing Institute, “Meaning Really Matters, the MetLife Study on How Purpose Is Recession-Proof and Age-Proof,” [www.MatureMarketingInstitute.com](http://www.MatureMarketingInstitute.com).

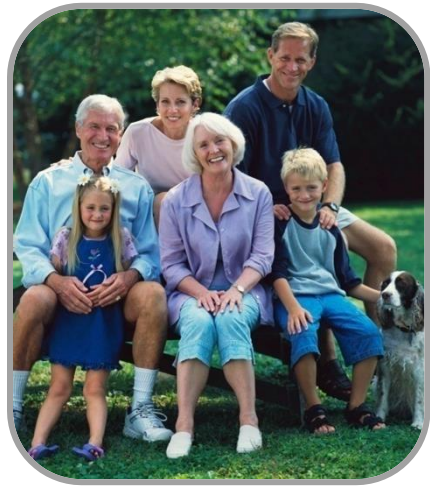


## Sandwich Generation

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With their children remaining financially dependent into adulthood and their parents living longer, healthier lives, boomers are experiencing an extended period as a sandwich generation.

Most boomers are married and live in two-adult households. However, for many boomers the nest is not empty. Among the youngest boomer



*The wave of foreclosures and unemployment caused a new era of multi-generational households as families doubled up.*

households, a quarter includes children under the age of 18 residing in the home. Another quarter of boomer households are home to children over the age of 18 and two-thirds of these provide primary or partial support for the adult child. The reasons for most? The high costs for college education and burden for many young adults of thousands of dollars of college-loan debt. Some practitioners report that a move to an age-restricted community is a way for an older parent to prevent adult children from “boomeranging” back home to live.

Almost a third of boomers provide financial assistance to parents. About 70 percent of boomers’ parents (one or both) are still living. Although their elderly parents are healthier and wealthier than previous generations, they are still likely to rely on their children for assistance with caregiving and household errands.

## Grandparents Raising Grandchildren

The U.S. census found that six million grandparents are raising their grandchildren—about 8 percent of the children in the United States. These grandparents have stepped into a parenting role because their adult children are unable to care for their children or are absent. Each situation is unique, but almost all involve painful family decisions and circumstances, such as divorce, unemployment, abandonment, incarceration, substance abuse, neglect, or death.

Emotionally, grandparents may feel better equipped to parent their grandchildren. They may also feel the experience helps them stay active and provides a sense of purpose. But there is no doubt that parenting a second time around is physically and emotionally stressful. Late-life parenting responsibilities can strain marriages and other relationships and add financial burden at a time of life when the grandparents are trying to prepare for retirement. And housing can be a problem if the grandparent lives in an age-restricted community that does not allow extended stays for youngsters.

## Single Retirees

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Although most boomers are married and live in two-adult households, more than one-third (37 percent) are on their own, either because of remaining single or as a result of divorce, separation, or widowhood. As these boomers reach retirement years, new trends may emerge in group living arrangements and mutual help groups.

## Home—Asset or Anchor?

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The big question for current and future retirees is how much equity is in their homes and to what extent will they be willing to use it to fund retirement choices. Eight out of 10 older Americans own a home and of those more than two-thirds own their homes free and clear with no mortgage debt.<sup>11</sup> The mature generations see their homes as the last place they would ever give up or risk. The boomers, on the other hand, are more accustomed to seeing real estate, including their homes, as part of a portfolio of financial assets. They may be less hesitant than their parents' generation to take cash out of home equity through a line of credit or loan.

## House Locked?

Following the economic recession, real estate values declined across the country with home values sinking below mortgage balances in some areas. But for debt-free older homeowners, an upside-down mortgage may be less of an issue than loss of value.

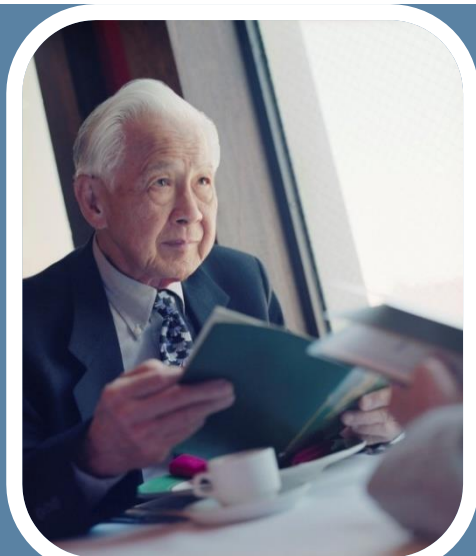
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<sup>11</sup> MetLife Mature Market Institute, "The MetLife Study on the Changing Role of Home Equity and Reverse Mortgages," [www.maturemarketinstitute.com](http://www.maturemarketinstitute.com).

While market conditions have, for the most part, recovered to near pre-recession values, there are other considerations that may work to inhibit a senior seller from downsizing or moving on. As a real estate professional, you should work with these sellers to determine how comparable homes affect their property's value and acknowledge any inhibiting factors that the seller has identified. After listening to the seller's concerns, explain available options so that they do not feel "house locked" in their current property. If the seller is able to identify solutions based on your recommendations, it is likely that they will work with you to achieve their goals.

#### The Next Chapter

In the next chapter, we will look at making the decision to stay put or move to a new housing situation. Some obstacles are obvious, but others are more subtle. The physical and emotional tasks of moving from a long-time home can be overwhelming even when the homeowners are looking forward to making a transition.



## 4. Aging in Place

What is your concept of aging in place? Most envision continuing to live safely, independently, and comfortably in their own home and the familiar surroundings of a supportive community.

Life-enriching aging in place is not a passive activity. It doesn't result from just staying put and adding up the years; according to AARP research, 8 out of 10 adults will experience future special housing needs. Successful aging in place is a process of taking stock of current and future needs, thinking through the options, evaluating the house and the community, and developing strategies. The process starts with asking the question: What will it take for you to age comfortably and safely in this house and in this community?

### Plan for Aging in Place

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For many, where they live—the community or home—at retirement is where they want to live out their lives. Does this mean that mature adults do not move to new homes or communities? Some relocate before reaching an age or life-stage milestone. Second-home owners may move to their vacation homes for aging in place. Another trend is relocating to a future retirement residence and commuting from there before full retirement. As we will see in this chapter, the choice of where and how to age in place depends largely on health and support needs. We'll look at how homes can be adapted for aging in place and discuss the opportunities for real estate professionals in helping sellers, buyers, and their families find solutions for aging in place. Let's begin by looking at two aspects of aging in place:

- **Aging in the community:** remaining in a familiar community but in a more suitable residence—condo, apartment, or different house—with friends, family, activities, and support services nearby. Or relocating to a community that provides a safe environment and needed services and support, or moving closer to family.
- **Aging in the home:** remaining in the current residence, accessing support services, and modifying the home as needs change.

A plan for aging in place is not a plan for advanced old age or illness. It is a portfolio of strategies for maintaining control of the environment and quality of life. When family members participate in planning, they have an opportunity to voice concerns, work through practical and emotional issues, and visualize their future roles. Most important, they learn the elders' wishes and preferences.

## Planning Continuum for Aging in Place

It may help to think of an aging-in-place plan in terms of a continuum based on health and support needs. Where an individual fits on the continuum indicates present and future actions, priorities, and how quickly decisions must be implemented. Note that this continuum is tied to health, mobility, care, and service needs, not specific ages. At every stage of the continuum, real estate needs for aging in place change and create opportunities for real estate professionals to work with buyers and sellers.

No Urgent Needs	Progressive or Chronic Health Conditions	Urgent Needs, Sudden Changes, Advanced Conditions
		
<p>There is time to think ahead, research options, develop strategies, and discuss choices with family members. Simple universal design home modifications can enhance independent living and prevent debilitating accidents and falls. This stage may involve a planned move to a second home or active adult community. Community service needs: participation in events, volunteer opportunities, focus on maintaining involvement and an active lifestyle.</p>	<p>Changes in life and health circumstances necessitate home modifications or a move to a more suitable living arrangement. Although not urgent, gradual progression of conditions makes adaptations inevitable. There is time to research care options, move to a more suitable home or closer to family. Community service needs: support independent living, facilitate access to health care providers, and provide emergency response.</p>	<p>A sudden change in health or life circumstances requires immediate adjustments to the home and possibly the living situation. Progressive conditions reach advanced stages and require full-time care. Home modifications are needed to enable care and maintain safety. A full-time care provider or a move to a medically oriented care facility may be necessary. Community service needs: long-term medical care and care-provider support.</p>

### Make a SAFE Plan for Aging in Place

When is a house, or a community, suitable for aging in place and when is it right to consider a move to another home or neighborhood? Remember these four factors:

	In the Home	In the Community
<b>S</b> afety	Does the home have elements that present risk, such as dim lighting, steep stairs, no hand rails, clutter, frayed wiring, or structural problems?	Does the neighborhood seem unsafe? Are elderly residents afraid to leave their homes? Is the neighborhood declining?
<b>A</b> ccess	Are family and friends close by or far away? Will an elderly person be isolated and trapped in the home? Is entry awkward for the home or other areas? Are cabinets, closets, appliances, and storage accessible?	Are shopping and services accessible? Can the resident easily access essential services—grocery store, pharmacy, house of worship, medical services, or bank—without driving?
<b>F</b> its needs	Does the house still fit the needs of the homeowners? Can the owners handle the repair and maintenance needs of an older house?	Does the community provide support for aging in place? Is the climate tolerable year-round?
<b>E</b> ase of use	Can doors and hallways accommodate a walker or wheelchair? Can home features be added or modified?	Does the community infrastructure promote ease of movement?

## Aging in Place: The Community

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What makes a community a good place to age in place? AARP offers the following list of community attributes that support independent living for older adults:<sup>12</sup>

- Well-run community centers, recreation centers, parks, and other places where people can socialize and participate in public meetings and events
- Volunteer opportunities
- Dependable public transportation. Safe and convenient transportation options available, such as rides from friends or family
- Safe sidewalks that connect places people want to go to on foot
- Roads designed for safe driving with unambiguous signage and clearly marked traffic stops and pedestrian crosswalks
- Range of housing options, including affordable housing, elsewhere in the community if a resident wants to leave the current home

## Naturally Occurring Retirement Communities

Not all 50+ communities are planned developments; some happen naturally as long-time residents of a neighborhood age in place. About one in four mature

adults live in a naturally occurring retirement community (NORC). Except for the age of the residents, there are seldom any other defining characteristics. NORCs occur in small towns, suburbs, and rural

*NORCs develop when long-time residents of a neighborhood age together in the same place.*



settings. They can be a community, an apartment building, or a section of a neighborhood and are increasingly common in rural areas where young people migrate to cities for job opportunities.

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<sup>12</sup> Adapted from “Beyond 50.05: A Report to the Nation on Livable Communities,” [www.aarp.org](http://www.aarp.org).



# Retiring to Your Home



Courtesy of Lincoln Park Village in Chicago

**Aging in Place support groups provide seniors the option to remain in their current neighborhoods**

*By John Van Gieson*

Judy and Michael Spock wanted to age in place in the home where they have lived for 25 years in Chicago's Lincoln Park neighborhood, but weren't sure they could manage it. In their late 70s, they had health issues and were slowing down. Michael has had two heart attacks and a stroke. Judy has had a heart attack, two mini strokes and needs knee surgery.

"We looked into retirement communities," Judy said. "We found them sort of reassuring, but also sort of chilling. What we really wanted was to live in our house and stay in our house a while longer."

Partnering with two other couples in the neighborhood, the Spocks decided to create a nonprofit community called Lincoln Park Village to provide services and support to members who wanted to age in place in their own homes, but already needed, or soon would, some level of assistance to make it work.

AARP polls show that a large majority of elder Americans want to age in place in their own homes.

"We looked into retirement communities, we found them sort of reassuring, but also sort of chilling. What we really wanted was to live in our house and stay in our house a while longer."

Reprinted with permission of National Association of REALTORS®, excerpt from *On Common Ground*, [www.realtor.org/topics/smart-growth/publications/on-common-ground](http://www.realtor.org/topics/smart-growth/publications/on-common-ground)

Under the village concept, members pay annual dues — with reduced rates for lower-income members — in return for free services provided either by volunteers or “concierge” services by vetted providers such as plumbers and electricians. Services villages provide to members include transportation, meals, home repairs, yard work, computer training, health care and financial advice, exercise, informational programs and social gatherings.

“You call the village, and we’re going to help you no matter what it is,” said Jane Curry, a member of the Lincoln Park Village Board of Directors. “You call, we will always have a volunteer first if we can do it. If we don’t have a volunteer, we will find that person you need and provide that person.”

There are as many ways of providing volunteer and paid services to members as there are villages. “If you’ve seen one village, you’ve only seen one village,” said Candace Baldwin, an adviser to elders who are starting villages.

Initiated by Beacon Hill Village in Boston in 2001, aging in place villages are growing rapidly all over the country, serving communities in at least 19 states and Washington, D.C.



“We know of 50 villages that are actually open and operating and serving their members,” Baldwin said. “About 100 others are in various stages of development.”

Baldwin is a senior policy adviser at NCB Capital Impact, a nonprofit community development organization based in Arlington, Va. NCB has partnered with Beacon Hill Village to develop the Village to Village Network, which advises developing villages and helps them manage their affairs more efficiently.

Individual memberships at Beacon Hill Village cost \$660 a year and household memberships are \$850, about the same range as other villages. Most also offer membership-plus options to lower-income residents of the neighborhood, charging about \$100 for individuals and \$150 for households.



Beacon Hill Village in Boston





Palisades Village  
in northwest  
Washington, D.C.

Village officials say the No. 1 service they provide to members is transportation, typically rides to the doctor's office, pharmacy or grocery store.

The threshold for membership in a village is usually either 50 or 60 years old. Membership typically ranges from a few dozen to several hundred. Beacon Hill Village has about 450 members.

The volunteers who provide free services to village members are either members themselves or members of the larger community. Many are active seniors, but high school and college students also serve villages as volunteers.

Sonia Crow, executive director of the Palisades Village in northwest Washington, D.C., joked that it has some four-year-old volunteers. They are pupils at a neighborhood school who have befriended a 96-year-old member known as Miss Betty.

Crow said the kids visited Miss Betty before Christmas, singing Christmas carols and the Dreidel Song, and were rewarded with milk and cookies. The children have returned on several occasions, including St. Patrick's Day and an egg hunt at Easter.

The Spocks said they were surprised at how often they have taken advantage of Lincoln Park Village services, including transportation, wellness programs, financial advice, home maintenance and health care. A consultant provided by the village is developing a master plan for maintenance and modifications on their home, built in 1891.

Judy Spock participates in three village exercise programs a week, tai chi, nia (non-impact aerobics) and swimming.

Some villages connect their members to geriatric physicians, if that's what they want. Lincoln Park Village has a partnership with the geriatric program at the Rush University Medical Center in Chicago, and the Spocks were seeing a doctor there until she took another job. Beacon Hill Village has a partnership with the geriatric program at Massachusetts General Hospital and also connects members to home health care and personal care providers.

Village officials say the No. 1 service they provide to members is transportation, typically rides to the doctor's office, pharmacy or grocery store.

"When they get in the car with a member it's not like Driving Miss Daisy, it's a conversation between two people that enriches both of their lives," said Gail Kohn, executive director of the Capitol Hill Village in Washington, D.C.

Volunteers transporting members typically drive their own cars, but Beacon Hill Village also pays some of its drivers \$20 an hour and asks members to help defray the cost of gasoline.

Palisades Village has a different model. "There's no compensation, no tips, nothing," Crow said. "They do it

because they feel it's the right thing to do. They're helping others, and one day other people will be helping them."

Safety and security are important considerations for village members who need some assistance, and members want assurance that the volunteers and service providers are reliable. Village officials stress that they protect members by carefully vetting both service providers and volunteers. The Beacon Hill vetting process checks criminal records, driving records, insurance coverage, bonding if applicable and references, Willett said.

"In addition, we get them [village members] a 10- to 50-percent discount [from the service providers]," she said. "Most of the discounts are around 20 percent."

While most villages depend on dues and volunteers to pay expenses and provide services, there are other models. Partners in Care, based in Anne Arundel County, Md., and serving members in four Maryland communities, including Baltimore, is free for its 2,600 members — no dues whatsoever.

Partners in Care keeps track of the amount of time its members spend on volunteer projects, a concept known as time-banking.

"It's the concept that you help others for a couple of hours, you'll get help back when you need it," said Anne Myers, marketing director for Partners in Care. Members who receive services are expected but not required to provide services to other members.

"We will say to you that our concept is reciprocity, and we hope that there will be a time and way that you will give back," Myers said.

Partners in Care and Community Without Walls in Princeton, N. J., were developed by seniors seeking aging in place options before the village model originated in Boston.

Dating to 1992, Community Without Walls emphasizes social and educational programs and encourages its members to care for and assist each other. The community is organized into six houses with 60 to 90 members each. The houses charge dues ranging from \$25 to \$35 a year and decide what programs they want to offer members.

"We intended it as a sort of mutual support organization," said Vicky Bergman, the community's first president. "We do not have volunteers. We have personal connections. We do lots of things with each other."

Partners in Care and Community Without Walls were developed by seniors seeking aging in place options.



Partners In Care, Anne Arundel County, Maryland







### Discussion Question

How does your community rate for support of aging in place?

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### Aging in Place: The Home

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What makes a home suitable for aging in place? MetLife and the National Association of Homebuilders surveyed aged 55+ households about the preferences for home features, amenities, and services. Survey participants responded with the following preferences:

- Suburban or near suburban location
- Single-family detached home
- One-level, two-car garage
- 3–4 bedrooms, 2–3 bathrooms
- Open kitchen and family room
- Separate living room
- Median price of \$189,000, median size of 1,900 square feet

About two-thirds of survey respondents planned to age in their current homes and one-quarter were not sure. About 12 percent planned to move to another home. Let's look at some more survey findings.

## Aging-in-Place Home Preferences<sup>13</sup>

### Top 10 Home Features for Aging in Place

1. High-speed Internet access
2. Washer and dryer in the home/unit
3. Storage space
4. Easy-open windows
5. Easily usable climate controls
6. Master bedroom on first floor
7. Attached garage with door opener
8. Private patio, front and back porch
9. Bigger bathroom, on entry level
10. Grab bars in bathroom

### Four Top Services for Aging in Place

- ✓ Exterior and outdoor maintenance
- ✓ Home repair services
- ✓ Housekeeping
- ✓ Health care services

### Four Features Consumers Want but Builders Don't Build

- 1 Non-slip flooring
- 2 Large medicine cabinet
- 3 Master bedroom on 1st floor
- 4 Kitchen cabinets a little lower

### Green Living? Not a Major Concern for 50+ Market

- ▶ 27 percent of buyers are concerned about environment impact but it's not a consideration in the home purchase, 23 percent are not concerned.
- ▶ 37 percent want an environmentally friendly home, but would not pay more for it.
- ▶ 12 percent would pay up to 5 percent more, average of \$6,700 (median \$4,000), for an environmentally friendly home, if it saves \$1,000 annually on utility costs.
- ▶ Top 3 most preferred green features: energy efficient appliances, solar heating, water filtration system.

<sup>13</sup>"55+ Housing: Builders, Buyers, and Beyond: What Are Builders Building? What Do Buyers Want?" MetLife Mature Market Institute and National Association of Home Builders, [www.MatureMarketInstitute.com](http://www.MatureMarketInstitute.com).

### Universal Design Standards

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Universal design is the creation of products and environments so that they are usable by all people to the greatest extent possible. Universal design features can make it possible for an aging homeowner to remain comfortably and safely in the home on an independent basis and for a longer time. Real estate professionals should be aware of this growing trend in home construction and highlight these design features when helping 50+ buyers search for a home. Buyers may not be aware of the benefits of universal design in home design or fully appreciate how these features enhance present comfort and support future aging in place.

### 7 Universal Design Principles<sup>14</sup>

#### 1. Equitable use

- Same means of use, or equivalent, designed for people with diverse abilities, appealing to all users, not segregating or stigmatizing any users
- Privacy, safety, and security equally available for all

#### 2. Flexible use

- Accommodates a wide range of individual preferences and abilities including both left- and right-handed users
- Adapts to user's pace and aids the precision

#### 3. Simple and intuitive

- Use of the item easily understood independent of experience, language, knowledge, or ability to focus
- Consistent with user expectations and intuition
- Information arrangement reflects importance

#### 4. Perceptible information

- Design that communicates what the user needs to know independent of the surrounding conditions or the user's senses, such as hearing
- Provides the information several ways, such as verbally, visually, by touch for the blind, and in large print for those with low vision

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<sup>14</sup> Center for Universal Design, College of Design, North Carolina State University, <https://design.ncsu.edu/>.

**5. Tolerance for error**

- Minimizes hazards and provides warnings
- Minimizes consequences of accidents and mistakes and provides fail-safe features and a means to correct mistakes, such as a cancel button

**6. Low physical effort**

- Reduces repetition and sustained effort
- Requires only reasonable operating force
- Allows user to maintain a neutral, normal body position, with little or no bending

**7. Size and space for approach and use regardless of body size, posture, or mobility**

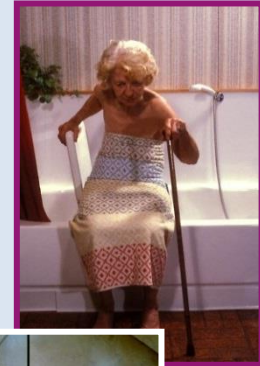
- Clear line of sight for standing or seated user
- Components reachable from a seated or standing position
- Accommodates variations in hand and grip size
- Allows user to approach, reach, or manipulate in the appropriate space, such as doors and hallways wide enough for wheelchairs and reduced-height or extended counters to accommodate people of small stature or in wheelchairs



## Adapting a Home for Aging in Place

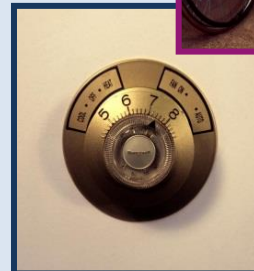
### Bathroom

- Tub and shower controls offset
- Light in shower stall
- Shower stall with low or no threshold, trench drain
- Fold-down shower seat
- Hand-held showerhead with 6' hose
- Lift or transfer seat for bathtub
- Lower bathtub for easier access
- Grab bars at back and sides of shower, tub, and toilet, or wall-reinforcement for later installation
- Adapter to raise toilet seat 2½–3" higher than standard
- Turnaround and transfer space for walker or wheelchair (36" x 36")
- Knee space under sink and vanity
- Counters at sit-down height
- Emergency alert or call button



### Faucets, Switches, Controls

- Temperature-controlled or anti-scald valves for faucets
- Lever faucet handles
- Easy-to-read, pushbutton controls
- Lever door handles
- Loop drawer handles
- Easy-to-read, programmable thermostat
- Rocker light switches at each room entry
- Lighted switches in bedrooms, bathrooms, and hallways
- Light switches at 42" from floor
- Electrical outlets 15"–18" from floor
- Front controls on cooktop

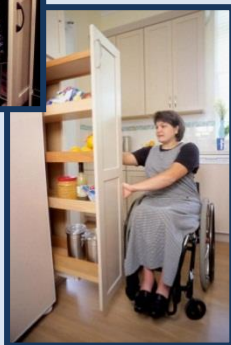


## Entry and Stairs



- At least one entry without stairs
- 36"-wide doorway with offset hinges
- Side window at entrance or lowered peephole
- Handrails on both sides of stairs
- Outside stair height below 4"
- Contrasting strip on stair edge
- Ramp slope of no more than 2" per 12" in length, 2" curbs, 5' landing at entrance
- Low (maximum ½" beveled) or no threshold
- No mats or throw rugs
- Exterior sensor light focused on door lock
- Surface inside doorway for placing packages
- Audible doorbell
- Flashing porch light

## Kitchen



- Cabinets with pull-out shelves and turntables
- Wall cabinets set below (about 3") standard height
- Glass cabinet doors or open shelving
- Easy-to-grasp cabinet knobs, pulls, or loop handles
- Task lighting under cabinets
- Electric cooktop with front controls and hot-surface indicator
- Microwave at counter height
- Wall oven or side opening oven door at counter height
- Counter space for transferring items from refrigerator, oven, sink, and cooktop
- Contrasting color strip on counter edges
- Side-by-side refrigerator/freezer with adjustable upper shelves and pull-out lower shelves, or a freezer drawer on the bottom
- Raised dishwasher
- Variety in counter height—some at table height (30")—under-counter seated work area
- Gas sensor near gas appliances

### Home Design and Layout



- Easy-open windows with low sills
- Color contrast between walls and floors, matte finish wall coverings
- Adequate, accessible storage
- Wide halls and doorways (interior doors and hinges can be removed)
- “Flex room” for family visits or live-in care provider
- Attached garage with opener or covered carport, room for wheelchair loading
- Smoke and carbon monoxide detectors
- Low-vision adaptations:
  - > Anti-glare glass
  - > Stick-on, tactile markers on controls
  - > Contrasting color switch plates
  - > Electrical-plug pullers

### Home Care

- Low-maintenance exterior (vinyl siding) and landscaping
- Housekeeping service
- Repair service
- Security and emergency alert service
- Uncluttered, unobstructed exterior and interior pathways
- Easily accessible filters on HVAC units
- Central vacuum system





## Discussion Question

What additional aging-in-place adaptations can you think of? Which are low-cost or DIY items?

[illegible]

### Converting a Second Home

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According to NAR research, about one in four vacation-home owners intend to use the property as a primary residence after retirement. What does this mean for the SRES<sup>®</sup> who is also a resort practitioner? The practitioner must be able to help the buyer evaluate properties for both current and future use. For example, during the years when a buyer is working or raising a family, a vacation property may be used only for a couple of weeks during the year and rented the rest of the time. As buyers reach retirement age, they may plan to spend more time in the home or convert it to a year-round retirement residence.

A strategy for converting a rental home to a retirement residence is to purchase a second home and rent it aggressively using the rental income to offset as much of the mortgage and expense as possible. When the owner is ready to retire, the primary home may be sold and the proceeds used to refurbish the rental home, which then becomes the owner's retirement residence. Or, the owner may sell both the primary and second home and use the proceeds to purchase a new home.

Buyers looking for a property in anticipation of retirement should carefully consider how the home will fit their future lifestyle, income level, and savings. For example, will the property still be affordable on a retirement income? Even if the buyers are familiar with the area, all of their time there may have been during the same season. Before they make a year-round commitment, especially if they are purchasing a home in anticipation of retirement, a specialist should encourage buyers to visit the area during both peak and off season. This provides firsthand experience of off-season living. Factors to consider include:

- Will the weather be too cold or hot?
- Will off-season road conditions hinder access?
- Will peak-season traffic congestion be tolerable?
- Will services and shopping facilities be available year-round?
- Will there always be something interesting to do?
- Will peak-season visitors be too noisy or disruptive?



*About 25 percent of vacation-home owners expect to make the property a primary residence after retirement.*

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## Opportunities for Real Estate Professionals

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As we have seen, home preferences and needs change as we age-in-place. The “no urgent need” phase of the continuum may involve moving to an active adult community, a better climate, or downsizing to a more manageable home that frees the homeowner from maintenance responsibilities. The other end of the continuum may involve helping a family sell an elderly relative’s home. At every stage, real estate professionals have opportunities to work with sellers and buyers as they make transitions. How can real estate professionals help clients and customers plan and make the right choices for aging in place?

- Share stories of how others have solved problems.
- Help buyers evaluate a home, neighborhood, or community.
- Discuss aging-in-place needs during buyer-counseling sessions.
- When showing a home, point out the features that support aging in place.
- Inform clients, customers, and their families of community services that support aging in place.
- Influence the community to develop aging-in-place support services.
- What other opportunities can you think of?

### Aging in the Community Checklist

When consulting with your seller, use this checklist to evaluate their community for aging in place. You should stress to the seller that all listed items should be considered and that you are not claiming expertise in all items (such as medical, etc.). Some resources to professionals with expertise in areas other than real estate are available on the next page.

#### Medical

- ☐ Health care facilities, doctors, hospitals, clinics, specialists
- ☐ Prescription drug plans
- ☐ Emergency services

#### Market

- ☐ Range of housing options and prices
- ☐ Resale value and appreciation potential

#### Transportation

- ☐ Transportation—public and private volunteer
- ☐ Roads
- ☐ Traffic volume
- ☐ Golf cart sales and service
- ☐ Airport proximity and airline service
- ☐ Parking

#### Community and Activities

- ☐ Public safety
- ☐ Planned communities
- ☐ Employment opportunities
- ☐ Volunteer opportunities
- ☐ Popular activities and hobbies
- ☐ Cultural and educational institutions
- ☐ Opportunities for civic engagement
- ☐ Houses of worship
- ☐ Camaraderie with privacy
- ☐ Quality of life
- ☐ Attitude of locals toward “snowbirds”

#### Fitness

- ☐ Exercise programs
- ☐ Pool, golf, spas, wellness facilities
- ☐ Walking trails and paths

#### Cost of Living

- ☐ Overall costs
- ☐ Utility costs—electricity, gas, water
- ☐ Taxes—property, income, sales

#### Climate

- ☐ Changes of season and climate variations
- ☐ Likelihood of destructive storms and natural disasters
- ☐ Environmental quality
- ☐ Natural features: parks, coastlines, mountains, scenery

#### Services

- ☐ Shopping (quality, selection, convenience)
- ☐ High-speed Internet access
- ☐ Restaurants (range of prices and types)

#### Senior and Aging Services

- ☐ Senior concierge services
- ☐ Nutrition (meals on wheels)
- ☐ Senior specific places, communities, facilities
- ☐ Aging and human services
- ☐ Independent living support
- ☐ Congregate, assisted, skilled care, nursing home facilities

#### Properties

- ☐ Maintenance-free (no lawn care, snow removal)
- ☐ Storage space
- ☐ Alarms in bedroom/bathroom
- ☐ Garage or parking
- ☐ Square footage
- ☐ Barrier free—no thresholds, wide doors and hallways
- ☐ No fall hazards
- ☐ Age restricted, age targeted, NORCs

## Aging-in-Place Information Resources

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### SRES® Business Partners

- |                                                                                          |                                                                                              |
|------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|
| ■ <b>AgeInPlace.com</b><br><a href="http://www.ageinplace.com">www.ageinplace.com</a>    | ■ <b>The Senior List</b><br><a href="http://www.theseniorlist.com">www.theseniorlist.com</a> |
| ■ <b>MoveSeniors.com</b><br><a href="http://www.moveseniors.com">www.moveseniors.com</a> | ■ <b>Silver Planet</b><br><a href="http://www.silverplanet.com">www.silverplanet.com</a>     |

### Additional Aging-in-Place Information Sources

- **AARP Aging in Place**  
[www.aarp.org](http://www.aarp.org)
- **Center for Universal Design**  
<https://www.ncsu.edu/ncsu/design/cud>
- **Certified Aging in Place Specialist (CAPS)**  
National Association of Home Builders, [www.nahb.org](http://www.nahb.org)
- **Eldercare Locator**  
[www.eldercare.gov](http://www.eldercare.gov)
- **National Aging in Place Council**  
[www.ageinplace.org](http://www.ageinplace.org)
- **National Council on Aging (NCOA)**  
[www.ncoa.org](http://www.ncoa.org)
- **National Resource Center on Supportive Housing and Home Modification**  
[www.homemods.org](http://www.homemods.org)
- **U.S. Department of Health and Human Services:  
Administration on Aging, [www.aoa.gov](http://www.aoa.gov)**



### The Next Chapter

Up to this point, we have discussed 50+ market characteristics and motivations for staying put or making a move. In the next chapter, we'll start at the "no urgent need" point on the aging-in-place continuum and take a look at options for independent living.



## 5. Independent Living

Whether aging in place or moving to a new residence, the first phase of the 50+ market housing cycle involves independent living. For many, an age-targeted community is the answer. The amenities, social activities, and freedom from home-maintenance offer the independence and security that fits the preferences of many in the age 50+ generations. The privately owned residences are real estate assets and providing services for buyers and sellers presents an opportunity for real estate professionals.

Real estate professionals who work in markets that include age-targeted communities and buildings need to know about housing options, amenities, and policies. You can start by researching the communities, developments, and housing options in your market area and learning about the opportunities.

### The Housing Cycle

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Most seniors stay in their own homes in their 70s and 80s. When they do move they relocate close to home and into smaller houses, apartments, condos, or congregate or care settings. Assuming the trend for retirees to stay close to home continues, the senior population of the next 10 to 15 years will likely be geographically distributed in proportion to where baby boomers and their parents now live. Closeness to adult children, whose careers are based in the metro area, is a top consideration.

Experienced real estate practitioners describe retirement and home ownership in four stages:

- **Upsize:** Age 50. Pre- to early retirement. Preference is for a large house with room for the grandchildren and other guests.
- **Downsize:** Age 65. At this stage the grandchildren are teenagers or in college and are no longer interested in spending spring break or summer vacation with their grandparents. Adult children are involved in careers and do not have much time to visit either. The trend is to downsize to a more manageable property.
- **Half-back:** Age 70–75+. Health begins to weaken. The spouse and friends may pass away and community ties weaken. Elderly move back home, or half-back, to be closer to children. Family members or adult children may be involved in this transaction.
- **Last home:** Age 80–85+. The last move may entail selling the house or condo and moving to independent senior communities which have continuum of care; in other instances, seniors may need to transition

to an assisted living facility. Expect the adult children to be involved in this transaction.

Over the course of their retirement years, mature adults may sell and buy property several times as they progress through life and health stages. By demonstrating your knowledge and ability to help them through the transactions, you can gain a client for life. Mature adults are more likely to tell others about good and bad service experiences. What would you like these clients to say about doing business with you?

The opportunity for real estate professionals is that as a group, mature adults will sell and buy, upsize and downsize, move to a new location and move back or “half-back” to be close to family, move to assisted-living environments, and the like over 20 or more years and as their lives and circumstances change. The real estate professional who can win the client early on has the opportunity to benefit from several transactions in the future. SRES® designees can attest that people in their 50s start thinking about aging and issues with property for themselves and their elder parents. When selling to this group be cognizant that you can become their real estate professional for life by demonstrating your understanding and familiarity with the circumstances of their property and lives and your ability to help them through the phases.

### **Active-Adult Communities**

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Communities welcome active retirees because they make the area attractive to other high-income retirees who add to the tax base and make few demands on community services. Active-adult retirement communities come in a variety of forms:

- Single-family homes
- Attached homes, duplexes, townhomes
- Condominiums
- Manufactured and mobile homes in a park, real estate owned or leased—popular with “snowbirds”
- Cluster housing that combines the maximum density of homes with large common areas, such as gardens, clubhouse, tennis courts, swimming pools, and community centers
- Subdivisions
- Cruise ship condominiums

Who buys into these communities? The Del Webb Company, the largest developer of U.S. retirement communities, characterizes the active adult consumer profile as follows:<sup>15</sup>

- Socially, physically, and philosophically active
- Technology-adept early adopter
- Preference to be surrounded by “people like me”
- More motivated by lifestyle than the actual house in choosing a retirement home

Although concentrated in the South and West, active adult communities are located throughout the country. Some of Del Webb’s newest active adult communities are located close to metro areas for retirees who prefer a city environment.

Active adult communities may offer a try-before-you-buy option for a short-term stay at the facility. Potential residents have an opportunity to try out the community facilities, get a feel for the atmosphere, meet other residents, and evaluate if it is a good fit for them.

Active adult communities offer a range of services, social events, amenities, and activities to attract and serve residents. Services and amenities might include:

- |                                    |                                                 |
|------------------------------------|-------------------------------------------------|
| ■ Social and recreational programs | ■ Worship facilities, spiritual counseling      |
| ■ Community center or clubhouse    | ■ Continuing education programs                 |
| ■ Fitness facilities               | ■ Support groups                                |
| ■ Computer labs                    | ■ Outside maintenance and referral services     |
| ■ Hobby and workshop facilities    | ■ Emergency and preventive health care programs |
| ■ Gardening plots                  | ■ Restaurants and meal programs                 |
| ■ Libraries                        |                                                 |
| ■ Cultural and arts programs       |                                                 |
| ■ Transportation on a schedule     |                                                 |

A National Association of Home Builders research study found that the most desired amenities in an active adult community are:

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<sup>15</sup>Del Webb, “Key Trends and Shifts in Retirement,” *Baby Boomer Survey*, <http://dwboomersurvey.com>.

- Walking and jogging trails
- Outdoor spaces
- Public transportation
- Lakes
- Outdoor swimming pools
- Security
- Clubhouses
- Exercise rooms
- Business centers

Even if residents do not take advantage of all of the amenities, they do understand the value enhancement, particularly if they have a real estate ownership interest in the community, such as a condominium or single-family home.

## **Seniors Apartments**

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According to AARP statistics, about 20 percent of seniors are renters, either always renters or former homeowners who sold their properties to become renters. Reasons for becoming renters include circumstances such as:

- Divorce (dividing equity)
- Financial inability to pay mortgage, taxes, insurance, upkeep
- Relocation closer to family and grandchildren (younger families often move for job-related reasons)
- Free up equity for investment income
- Freedom from home and garden maintenance
- Freedom to travel

Seniors-only apartments suit those who can take care of themselves, are relatively healthy, have sufficient funds to buy or rent the apartment, and want to maintain independence and privacy. They offer social opportunities, comfort, safety, and security, but no medical or custodial care. As noted earlier, some apartment buildings become de facto senior housing by virtue of the age of the residents.

The apartments, rental or condo, are usually small and easy to maintain. The design may include assistive features such as shower seats, handrails, and emergency alert devices. Residents may have access to services such as recreational programs, transportation, and communal dining rooms.

Some senior apartments qualify as low-income housing and charge below-market rents based on a set percentage of the resident's income.

These apartments are subsidized by HUD, states, or community grants. HUD affordability guidelines require expenditure of no more than 30 percent of the county's median income for housing. There is usually a long waiting list to move into one of these facilities due to low turnover. An AARP report on subsidized housing for older renters found that there are, on average, nine applicants for every vacancy. Communities can encourage construction of low-income senior housing through incentives, tax credits, and zoning variances.

### Cohousing

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Cohousing communities are best characterized by philosophy and lifestyle than layout or styles of residence. They are self-contained, intentional neighborhoods of privately owned residences, such as single-family or townhomes, clustered around a courtyard and community center. Most are small, typically 10–30 residences, and may be multi-generational or adult focused. From outward appearance, cohousing developments look like any other clustered neighborhood; the emphasis on sharing and communal living distinguishes the close-knit communities. Shared meals prepared by community member volunteers and served several times a week in a communal dining room are a particular distinguishing feature. Another is decision making by consensus. The cohousing approach harmonizes quite well with green living; mission statements of the communities stress wise use of resources and environmental stewardship through sharing as a community value.



*Sunward Cohousing in Ann Arbor, Michigan, consists of 40 homes clustered on five acres. Tightly grouped housing and parking on the periphery preserves the surrounding green space.*

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Adult-focused cohousing communities offer independence and the privacy of a single-family home within a supportive community

environment. According to the Cohousing Association of the United States, the distinguishing characteristics of elder cohousing are:

- For new developments, future residents participate in designing the community to meet their needs.
- Common facilities designed for daily use are an integral part of the community and are always supplemental to the private residences.
- The neighborhood design encourages a sense of community.
- Residents manage their own communities and do much of the work required to maintain the property.
- The community is governed by a homeowners association with an emphasis on decision making by consensus.
- The community and its services are not profit-making enterprises or a source of income for its members.

### **Age-Restricted Communities**

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Age-restricted communities provide an environment in which seniors can meet and make friends with people of the same age group and use facilities like swimming pools and clubhouses in a peaceful atmosphere. But, for buyers who have always lived in a single-family home, getting used to restrictions can be an adjustment.

When working with clients who are interested in age-restricted communities, the real estate professional should alert prospective residents about the regulations and restrictions. For example, are pets allowed? How long can grandchildren and guests stay? Are there restrictions on children using facilities?

Most age-restricted communities try to find a balance so that residents can enjoy both the community benefits and the company of children and grandchildren. For example, grandchildren or underage children can usually stay for up to several weeks, although the allowance varies widely from facility to facility. On the other hand, residents may be grateful for the age restriction that prevents an adult child from moving in with parents and thus avoids an awkward situation.

As a real estate professional, you should learn about the age-restricted communities and facilities in your market area. Make an effort to become familiar with the rules and covenants and get acquainted with the homeowners associations, their officers, and staff. Demonstrating your



ability to work with the community and bring qualified clients to it can result in referrals.

Is it the responsibility of the real estate professional to verify a client's eligibility for age-restricted housing? Real estate professionals must inform clients if a property is age restricted and advise them that they will be expected to comply with community policies. But, there is no obligation to verify a prospect's age or eligibility.

NAR strongly suggests that before the MLS advertises any property as housing for older persons, it should require the listing broker to provide the MLS with a copy of the written statement of qualification on which the broker is relying. When working with buyers or sellers in an age-restricted community, a real estate professional should ask to see the community's statement of policies and keep a copy in the transaction file. Check with your MLS for guidelines on advertising. The advertising phrases "qualified housing for older persons" or "community intended for those 55 and older" are preferable; phrases such as "adult living" or "adult community" generally should be avoided because they are not consistent with demonstrating the intent required by the federal Housing for Older Persons Act.

### **Housing for Older Persons Act (HOPA)**

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The Housing for Older Persons Act (HOPA) allows age-restricted housing by carving out an exemption to the federal fair housing law prohibition against discrimination on the basis of familial status. For all levels of age restriction, it is important to note that the requirements apply to the occupants, not owners. Federal law sets forth two levels for age-restricted housing:

#### ■ **55+ housing**

- 80 percent of units must be occupied by at least one person aged 55 or older per unit.
- Maximum 20 percent of units may be occupied by residents under age 55.

#### ■ **62+ housing**

- All residents must be at least age 62.
- The facility must publish, and adhere to, policies and procedures that demonstrate the intent to provide housing for older persons.
- Residents' ages must be verified through reliable surveys or affidavits.

- No programs of planned activities are required for either 55+ or 62+ housing.

### More Restrictive Limits

If state law allows, facilities may establish more restrictive age limitations such as 80 percent of the units must be occupied by at least one person age 60 or older, or exclusively by persons age 55 or older, or all units must be occupied by at least one person age 55 or older.

### 80/20 Occupancy Requirement

The 80/20 rule prevents loss of exemption due to situations in which a surviving spouse or heir wants to occupy the unit. Units in the 20 percent

portion are not marketed to prospective occupants who are underage. A healthcare attendant or family-member care provider is excluded from the calculation, whether the live-in care provider resides in the same or a separate unit. As noted above, the occupants of the units are counted, not the owners. If an aged 55+ owner or occupant vacates a unit for a period of time and rents it

to an underage individual, the tenant would be counted in the 20 percent portion. The aged 55+ occupant may, however, be absent for a time (vacation, hospitalization, or seasonal absence) without jeopardizing the exemption status of the community.



*The community may restrict use of facilities, such as a swimming pool, by children and restrict how long children may stay as guests with the unit owner or occupant.*



### Discussion Question

What age-targeted communities are located in your market area?

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### The Next Chapter

As we have seen, active adult communities offer a lifestyle of independence and freedom to enjoy leisure pursuits. But changes in life circumstances and health may necessitate a living arrangement that offers supportive care while maintaining a degree of independence. In the next chapter, we will look at assisted housing options that provide a watchful eye and a helping hand when the need arises.



## 6. Housing Options for Assistance

When health or life circumstances change, living arrangements may need to change too. Homeowners, and their families, experiencing such a life transition want a living arrangement that maintains privacy and an appropriate level of independence but also provides safety and security. Choosing an appropriate level of care begins with an objective assessment of needs and capabilities. Normal, healthy aging does not necessarily require a medically oriented environment, but declining strength, stamina, mobility, and mental acuity may necessitate assistance with accomplishing some daily activities, like meal preparation.

Where does the real estate professional fit into this picture? Selling a longtime home may be part of the transition to an assisted living arrangement and families may be unaware of the options that are available in the community. A specialist can provide helpful insight on how others have made similar transitions, information on helpful services, and assurance that a successful transition can be accomplished. Some congregate, assisted, and continuing-care facilities work with real estate professionals. When a resident needs to sell a home, a specialist who has a reputation as a trusted and understanding resource may receive a referral from the facility.

### When Is It Time to Make a Transition?

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The ability to perform key activities of daily living (ADLs) provides an objective standard determining when it is the right time for making a transition and choosing the right level of care and type of facility. The list can also guide decisions about aging in place and in-home assistance.

#### Activities of Daily Living

- Bathing
- Dressing
- Toileting
- Eating
- Transferring (e.g., moving from a bed to a chair)
- Maintaining continence

Instrumental activities of daily living, a secondary list, are required activities for independent living; some examples are using the telephone, grocery shopping, doing laundry, and managing medications.

p to age 85, most people report little or no difficulty with ADLs and about one-third of those who experience an ADL disability recover. After age 85 more than three-quarters report some degree of permanent limitation, and more women than men report more limitations.

## Downsizing

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Perhaps the most daunting aspect of downsizing, even for those looking forward to a new living situation, is sorting through and getting rid of a lifetime's accumulations of stuff. When the health and safety risks outweigh remaining in a home, it's time to find another living situation. But even when events are not at crisis stage and everyone, including the homeowners, agree on the need to make a transition, taking action can run up against some challenging obstacles—physical and emotional. What stops people from making a transition to a new living situation?

### Obstacles

- Fear of change and loss of familiar routines that define and give meaning to daily life
- Fear of loss of independence, control, and privacy, or fear of abandonment
- Fear of making a wrong and irrevocable decision
- Emotional attachment to a home or place—adult children may be more sentimentally attached and resistant to breaking up a family home than their parents
- Determination to hold on to a property so that heirs inherit it
- House locked financially or by deferred maintenance issues
- Physical and cognitive limitations that prevent taking action
- Realization that a move is to a last living situation and remaining time is short
- Overwhelmed by the tasks involved in selling and moving
- Lack of family or a support network to assist
- Misapprehension that remaining in the home is “living for free”

### What Can a Real Estate Professional Do?

- Acknowledge the challenges and conditions that prevent making a move.
- Respect that what seems like a minor problem to you or other family members may loom large for an elder homeowner.
- Offer assurance that obstacles can be overcome and describe how others have handled similar situations.
- Provide information on resources, services, and expert guidance including a trustworthy provider list, or team of professionals, who are backed by the Better Business Bureau (BBB).
- Acknowledge wary seniors and provide them with your credentials to build trust in your expertise.

### Know the Terminology

#### Downsize

Reducing household inventory in preparation for a move to a smaller home.

#### Declutter

Removing accumulated items that make a home unsafe and unhygienic. Focus on fire and fall prevention and removal of hazards.

#### Disband

Dismantling the entire household.

### Can Family Help?

Families can be a loving support when relatives make a transition. In the best circumstances, the elder relative is in control and family members provide support and elbow grease. But family members may live far away or be juggling career and family demands and unable to offer much help. On the other hand, family members may become over assertive and completely disregard the relatives' feelings, attachments, fears, and preferences. There are times, however, when family members must step in and take control for the health and safety of the elder relative, when the elder is incapacitated physically or cognitively, or when a deadline looms such as a closing date or admittance to an assisted living facility. Experienced specialists can probably describe numerous examples along the spectrum between assisting and asserting.

## Downsizing Strategies

### Space Planning

- Subtract the square footage of the future home from the current home.
- Add in new square footage like a den, deck, or sunroom.
- Measure furniture to be moved to ensure fit.
- Ask if the facility—senior development, assisted living, continuing care—can provide space planning assistance.

### Throw-Out Strategies

- Resist the “maybe we’ll need it sometime” mindset.
- If it hasn’t been touched for more than a year, throw it away.
- Consider if it’s worth the cost and effort to pack, move, and unpack.
- Still can’t decide? Put it in a sealed, unlabeled, and dated box; if unopened a year later, throw it away, unopened.

### Sort into Categories

Use various colors of Post-It Notes® to help sort items into categories:

- **Move**
- **Maybe**—move and decide later
- **Sell**—at auction, estate sale, yard sale
- **Give away**—to family members or friends
- **Donate**—to charitable organizations
- **Throw out**

### Give Keepsakes to Children

- Give childhood arts, crafts, and family photos to children; they may cherish them and use them to start their own family traditions.
- Receiving meaningful keepsakes may ease breaking sentimental ties to the family home.
- Ask children to sort items:
  - ✓ **Take now**
  - ✓ **Take next time**
  - ✓ **Give away**
  - ✓ **Throw away**

### Assess Future Needs

- **Is it family-sized?**  
Items, like large camping tents, probably won’t be needed.
- **Will it fit?**  
Compare size and square footage, a space planner can help.
- **Is it house-oriented?**  
If moving to a condo or townhouse, get rid of lawn mowers, snow blowers, and large gardening tools.

### Managing Time

- **Allow Time:** Most downsizing processes take 2–3 months.
- **Start early:** Begin the process before the house is listed. If it sells quickly, there will be less time for accomplishing the tasks.
- **Schedule:** Set a schedule by room, week, month, or other milestones.
- **Take Time:** Spreading out the process makes it less emotionally wrenching.

### Can Family Help?

- Some families assist and some assert.
- A good indicator is the way a family behaves during Thanksgiving or making vacation plans together.

### Prepare to Feel Good

When the process of downsizing is complete, most people feel relieved and good about reducing the amount of accumulated stuff.



### Professional Assistance

When the tasks of sorting, packing, moving, and unpacking are beyond the capabilities of homeowners and their family, or events necessitate a quick move, a specialist in senior transitions could be the solution. These professionals, such as a Certified Relocation and Transition Specialist (CRTS<sup>®</sup>), handle all the phases and tasks of downsizing, moving, decluttering, or disbanding a senior's home. They can sort through all of the stuff, arrange for dispersal and disposal of items, prepare a space plan to make sure furniture will fit in a new living situation, pack, and unpack. Fees may be on an hourly basis, by task, or for an entire project, and it is wise to ask for an estimate of costs before making a commitment. For more information about these professionals go to the CRTS<sup>™</sup> website at <https://www.crtscertification.com>.

### Decluttering

In some circumstances, out-of-control clutter threatens the health and safety of homeowners. Decluttering a home may enable elderly family members to continue living in their own home. However, clutter may signal underlying emotional or cognitive problems. It may be necessary to move the homeowner, and pets, to the new living situation before the decluttering process can be accomplished. How can a family begin the decluttering process?<sup>16</sup>

- Focus on safety first by removing fall and fire hazards.
- Start small and slow. Unless a deadline is imminent—eviction, closing date, admittance date to a nursing home or senior apartment—working at the elder's pace lessens the stress. Start small by cleaning a corner of a room or a tabletop.
- Remove discarded items immediately so that they cannot be “resaved” by the elder.
- Reorganizing items into a limited number of categories—keep, sell, give away—may help initiate the process and make it easier to throw out items.
- Negotiate and compromise over what to keep or discard. It may be okay to keep the last couple of years of accumulated magazines and discard the previous 10–20 years' worth.

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<sup>16</sup> Adapted from “Best Practices: Decluttering Tips,” Weill Medical College of Cornell University, Department of Environmental Geriatrics, [www.environmentalgeriatrics.org](http://www.environmentalgeriatrics.org).

- Photographs of memorabilia, which the elder can keep, may make it easier to let go of and disperse sentimental items to other family members.
- Safeguard valuables as they surface, such as jewelry, works of art, authentic and valuable antiques, and collectibles.
- When the job is completed, make a plan for maintenance so the home doesn't become re cluttered.

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## Hoarding

Hoarding is often a symptom of dementia and extremely impaired judgment. "Individuals with dementias are continuously losing parts of their lives. Losing a meaningful role in life, an income, friends, family, and a good memory can have an impact on a person's need to hoard or to 'keep things safe.' Hoarding...is oftentimes triggered by the fear of being robbed." People with dementia may hide possessions for safekeeping, forget where they hid them, and blame others for stealing them.<sup>17</sup> For authoritative research and information about hoarding, including tips on dealing with clutter, rummaging, and hoarding, go to the website for the **Department of Environmental Geriatrics of Cornell University**, [www.environmentalgeriatrics.org](http://www.environmentalgeriatrics.org).

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## Congregate Living

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Congregate living (also known as residential care, custodial care, or support housing) combines independent living and privacy with the safety of round-the-clock supervision care. The facilities offer fully equipped private apartments ranging from one-room studios to two-bedroom units and common areas where residents can socialize. Most units rent on a monthly basis.

Services may include cleaning and laundry service, transportation for medical appointments and shopping, and social activities. Meals served in a common area dining room are usually included in a monthly rental but residents have the option to prepare meals in their own apartments. Most importantly, a staff person is always available to assist the residents and check on their well-being. Medical care is generally not available, although staff may assist residents with self-medication.

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<sup>17</sup> Rosemary Bake, and Paulette Michaud, "Working with Individuals With Dementia Who Rummage and Hoard," Department of Environmental Geriatrics, Weill Medical College of Cornell University, [www.environmentalgeriatrics.org](http://www.environmentalgeriatrics.org).

Congregate facilities may have entry criteria for age and abilities as well as rules on when a resident must transfer from the facility. For example, a resident in early stages of Alzheimer's disease may be accepted but expected to transfer to a specialized facility in later stages.

### Assisted Living

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Assisted-living facilities provide a residence for those who need help with daily activities such as cooking, housekeeping, and transportation as well as personal care such as bathing, dressing, grooming, and eating. They are best suited for those who are ambulatory and do not need nursing care but cannot live on their own. Living arrangements are usually a small apartment or a single or double room, which offers more privacy than a nursing home environment but less than congregate housing. Assisted-living facilities should be expected to offer:

- Laundry services
- Transportation
- Personal care
- Housekeeping
- Shopping
- Exercise classes (usually seated)
- Help with medications
- Activities (social, religious, educational)
- Three meals daily with provisions for low-sodium, diabetic, and heart-healthy menus



*About three-quarters of those aged 85 and older report some degree of permanent limitation in performing activities of daily living.*

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## When Is Assisted Living the Right Option?

Some signs that indicate a need for assistance include:

- Personal hygiene declines, such as not bathing, wearing the same clothes, or sleeping in clothes
  - Responses to questions about well-being are passive
  - A home that was formerly neat becomes disordered and dirty
  - The refrigerator and pantry look empty or over-reliance on take-out food
  - Lethargy or fatigue replace activity
  - Forgetfulness causes peril, such as leaving food cooking on the stove, phone off the hook, bills unpaid, and medications skipped
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## Continuing Care Retirement Communities

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Continuing care retirement communities (CCRCs) offer increasing levels of care at one location as the needs of the resident change. It provides the choice of moving between the housing environment and degrees of service within one community as well as the security of being taken care of through stages of health and aging. CCRCs provide a solution to the problem of how to secure and pay for future long-term care as well as how to choose a facility at a time of vulnerability.

### Contracts for CCRCs

According to the U.S. Government Accountability Office, CCRCs typically operate under one of the following types of contracts:<sup>18</sup>

- **Life Care:** includes housing, residential services, amenities, and unlimited use of health care services with no (or minimal) increase in fees. A substantial entrance fee is usually required, but monthly payments do not increase.
- **Modified:** same housing and residential services and amenities as Life Care, but health care services are limited, such as 60 days of nursing care. Fees increase when a resident's care needs exceed included services.

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<sup>18</sup> U.S. Government Accountability Office, "Older Americans, Continuing Care Retirement Communities Can Provide Benefits, but Not Without Some Risk," *Report to the Chairman, Special Committee on Aging, U.S. Senate*, [www.gao.gov](http://www.gao.gov).

## 6. Housing Options for Assistance

- **Fee-for-Service:** same housing and residential services and amenities as Life Care, but health care expenses are paid by the resident on an as-needed basis.
- **Rental:** a pay-as-you-go option and typically the least expensive. No entrance fee is required. The resident pays all health expenses, but access to CCRC health care services is guaranteed.

Range of CCRC Fees by Contract Type				
	Life Care	Modified	Fee for Service	Rental
Entry fee	\$160,000– \$600,000	\$80,000– \$750,000	\$100,000– \$500,000	\$1,800– \$30,000
Independent living monthly fee	\$2,500– \$5,400	\$1,500– \$2,500	\$1,300– \$4,300	\$900– \$2,700
Assisted living monthly fee	\$2,500– \$5,400	\$1,500– \$2,500	\$3,700– \$5,800	\$4,700– \$6,500
Nursing Care monthly fee	\$2,500– \$5,400	\$1,500– \$2,500	\$8,100– \$10,000	\$8,100– \$10,000

Source: Report to the Chairman, Special Committee on Aging, U.S. Senate, GAO-10-611, U.S. Government Accountability Office.

Paying the CCRC entrance fee may use up a life's savings or entire proceeds from sale of a home. Like any major investment it requires careful evaluation of the facility, services, and its financial condition. An attorney should review the contract, in particular the policy on return of deposits; some CCRCs refund a resident's deposit only when a new resident buys in or a unit is reoccupied. In a slow market, when a resident must wait for a home to sell before moving into the CCRC, refund of a deposit can be delayed for several years.

In addition to checking financial conditions and policies, prospective residents should investigate the facility's policies regarding involuntary transfers to higher levels of care, life changes such as a marriage or death a spouse, and affiliation with any religious or charitable group.

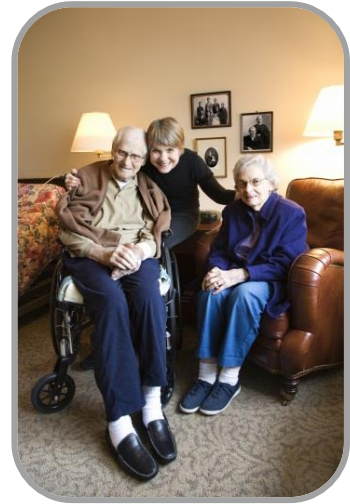
CCRC facilities are state regulated. Hearings before the U.S. Senate Special Committee on Aging (July 2010) focused attention on CCRCs and published recommendations for state regulations and best practices.<sup>19</sup>

<sup>19</sup>"Continuing Care Retirement Communities: Risks to Seniors," *Summary of Committee Investigation*, U.S. Senate Special Committee on Aging, July 21, 2010.

## Evaluating Assisted-Living and Continuing Care Retirement Facilities

Go to these websites for evaluation guidelines and information:

- American Seniors Housing Association (ASHA), [www.seniorshousing.org](http://www.seniorshousing.org)
- Commission on Accreditation of Rehabilitation Facilities—Continuing Care Accreditation Commission, [www.carf.org](http://www.carf.org)
- Leading Age, [www.leadingage.org](http://www.leadingage.org)
- Justice in Aging, [www.nsclc.org](http://www.nsclc.org)
- U.S. Government Accountability Office, [www.gao.gov](http://www.gao.gov)



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## Skilled Nursing Facilities

Skilled nursing facilities, nursing homes, provide round-the-clock medical and personal care. It is estimated that about 20 percent of elders will experience a nursing home stay. These facilities are staffed by registered nurses, practical nurses, and nurses aides. They can be freestanding or part of a CCRC.

There are two categories of nursing home residents:

- Short-term residents recuperating from surgery, illness, or needing physical therapy
- Long-term residents who cannot care for themselves and need medical and custodial care beyond the capability of an assisted-living facility

Most offer a combination of private and semiprivate rooms, and shared bathrooms, either with roommates or between two private rooms. Unlike assisted living, nursing homes treat patients medically. Therefore, the program of social activities is usually minimal.

The range of quality is vast for these facilities. Anyone considering a nursing home for a family member's care should evaluate the facility against several checklists, visit the facility unannounced, and ask lots of questions. It is not uncommon for long-term residents of these facilities to be frail and suffer from significant cognitive impairment or dementias;

they are the least able to be proactive and protect themselves. On the positive side, nursing homes in most states must meet regulations and be open for regular inspection. They fulfill a need and many are operated by kind, caring, cheerful staff.

### More Care Options

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#### Elder Care

Elder care is an umbrella term for the variety of services and care for those needing assistance with activities of daily living. It covers a spectrum of services, from light to intense care, at home or in assisted facilities. Elder care includes services such as:

- Meals
- Socialization
- Personal care
- Light housekeeping in the home
- Adult day care
- Transportation
- Visiting
- Telephone reassurance
- Caregiver support
- Respite care
- Emergency response

#### Program of All-Inclusive Care for the Elderly (PACE)

PACE initiatives present a model for delivery of coordinated elder care. The Program of All-Inclusive Care for the Elderly (PACE) was authorized by the federal Balanced Budget Act of 1997 (BBA). The BBA established the PACE model of care within the Medicare program and enabled states to provide PACE services to Medicare and Medicaid beneficiaries. Not-for-profit organizations administer the programs at the community level and coordinate service delivery both at home and in assisted and nursing home facilities. PACE providers receive monthly Medicare and Medicaid payments for each eligible enrollee.

The PACE model is based on the concept that it is better for the well-being of elders and their families to be served in the community whenever possible. The programs provide a range of care and services so that participants can maintain independence and continue to live in their homes as long as possible.

PACE programs offer home-based services and coordinated care, such as home health care, assistance with medications and injections, meals on wheels, assistance with activities of daily living, housekeeping, laundry, social work, and adult day care. Although enrollment in a PACE program requires certification for nursing home care, very few actually reside in one. But if an enrollee does need nursing home care, the PACE program coordinates payment for it and continues to coordinate care.

### **Shared Housing**

A simple solution, shared housing involves sharing a home with a roommate, in one's own home or that of another. Some community organizations help with matching up those who want to share their homes or find roommates.

### **Board and Care**

Board and care are simple, small-scale assisted-living facilities for personal and custodial care. Some are in converted private homes, with a few residents, typically 4 to 10, and operate on an unofficial basis. These are also known as foster care, group homes, or domiciliary homes. These facilities are suitable for those who cannot live independently and need assistance with activities of daily living, but do not need a nursing home environment. Long-term insurance policies may cover the expense.

### **Residential Care Facilities for the Elderly (RCFE)**

RCFEs provide more independence than a nursing home. They offer assistance with activities of daily living but not medical care, although staff may help residents take medications. RCFEs usually charge one basic price for a package of services with added fees for additional services or deductions for unused services. Residence is a landlord-tenant relationship.

### **Elder Cottage Housing Opportunity (ECHO)**

The term Elder Cottage Housing Opportunity (ECHO), originating in Australia, refers to a mobile or modular home placed on the single-family lot. When no longer needed, the ECHO unit is moved to another location and rented to another family. Before making arrangements for stationing an ECHO unit on a property, area zoning regulations should be checked.



Placement of ECHO units encounters fewer obstacles in rural locations. In addition to zoning, ECO unit issues involve electrical, water, and waste disposal hookups and removing the unit from the property when no longer needed.

### Accessory Units

Living spaces added to a single-family home are called by different names—granny flat, mother-in-law flat, or accessory unit—in different parts of the country. The units can be apartments within a home, flats over a garage, freestanding structures, or add-ons with a separate entrance. They are usually site-built and attached to the main home, and remain functional after the elder occupant is no longer living or has moved to a care facility.

A legal second unit usually requires a separate entrance, bathroom, bedroom, and cooking facility. The first step in planning for an ECHO unit is to check if second units are legal within the jurisdiction. A zoning variance may be required.

A parent might use some of the proceeds from the sale of a home to pay for the construction. A home equity loan is another method of financing the construction. The addition of another living unit usually enhances the value of the main home.

### Senior Day Care and Senior Centers

Although not a form of housing, senior day care facilities can help elders stay in their homes longer. These facilities fill in the gap when the caregiver must work during the day or needs a respite. Day care centers offer supervision, usually a noon meal, social and educational activities, and support groups. Some offer nursing and therapy services as well as health monitoring.

### Respite Care

Respite care allows caretakers occasional time off to recoup emotionally, handle other family responsibilities, or get away for a while. In-home respite care workers come daily to or stay in the home with the elder. An alternative is a short-term stay in an assisted-living facility, if space is available. A short-term stay may be possible and provides an opportunity to try out the facility without making a commitment to move there permanently.

## Memory Care Facilities

Memory care facilities specialize in care of patients with Alzheimer's and other types of dementia. Congregate, assisted-living, or board and care environments may be appropriate for residents in early stages. However, unless the community has a specialized unit, transfer to another facility will be required as the disease progresses. Families who want to care for an Alzheimer's patient at home need to consider questions such as:

- Can the environment be made secure and safe?
- Are in-home respite services available, such as nurses, home health aides, homemakers, and companions?
- Can the caregiver access respite care?
- Is there a senior adult day care facility available?
- Are there opportunities for social interaction, mental stimulation, and recreation for the Alzheimer's patient?

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## Regulation of Care Facilities

Different state agencies regulate different types of facilities. Licensing and classification are based on levels and types of service and staffing. There are no standard definitions from state to state, or sometimes within a state. Two different "retirement centers" or "assisted-living" facilities within the same state may be licensed by different agencies and operate under different rules and standards. There is no federal regulation. However, federal regulations do require long-term care facilities to provide a 30-day written notice and discharge plan if it is determined that a resident can no longer remain there.



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## What Will Medicare or Medicaid Pay For?

Medicare does not pay for custodial or long-term care in assisted-living facilities. Nor will it pay for a stay in a nursing home that does not immediately follow a hospital stay of more than three days. Payment for assisted living is usually out-of-pocket, although long-term care insurance may cover nursing home care. Medicare does not pay for any care received outside of the United States.

Medicaid is a needs-based public assistance program with stringent eligibility criteria, and should be viewed as the payer of last resort. Medicaid payment may be available for stays in facilities licensed as nursing homes (if the individual meets a means test) but not assisted living and congregate facilities. The federal government funds Medicaid but it is administered by states, which have latitude in implementing policy guidelines. Although there are many variations among states, the basic eligibility rule is that the individual may not possess liquid assets in excess of \$2,000 (\$3,000 for couples in most states). If a senior plans to sell a home and enter a nursing home, Medicaid will not kick in until all liquid assets are spent down.

An individual with home equity of \$500,000 or more is ineligible for Medicaid. Fortunately, the equity in a senior's home is exempt if a spouse or minor or disabled child resides in the home. Because a home with less than \$500,000 of equity is a noncountable asset, a senior might be able to reduce countable assets by transferring value into the home, such as paying off outstanding home loans, buying a larger home, or paying for repairs or renovations. Payments from a reverse mortgage do not necessarily disqualify a Medicaid recipient, but any income must be spent in the month in which it is received; the remainder is considered a liquid asset. If at any time the recipient accumulates \$2,000 or more in liquid assets, eligibility is lost.

### Medicaid Look Back

A person cannot immediately qualify for Medicaid by transferring or gifting assets to someone else, such as a child,<sup>20</sup> because there is a five-year look-back period for eligibility. A real estate professional should make clients aware of this look-back provision if they, or their loved ones, are selling to enter a nursing home and expect Medicaid to cover the expense.

### Medicaid Estate Recovery

Federal law requires states to recover payments made to Medicaid beneficiaries for nursing home facilities, home care, and related hospital and prescription drug expense. States also recover payments made to permanently institutionalized individuals.

Medicaid recovers expenses through two types of liens:

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<sup>20</sup> Medicaid allows transfer of the home without asset penalty to a spouse, a dependent child who is a minor or disabled, a sibling who has been living in the home and providing care for at least one year, or a child who has been living in the home and providing care for at least two years.

- Estate recovery lien placed on the property of the deceased
- Tax Equity and Fiscal Responsibility Act (TEFRA) lien placed on the property of a living beneficiary

When a Medicaid recipient dies, the state files a claim in probate court. Surviving heirs are not required to use their own funds to repay the debt owed to the state; however, if the home is subject to an estate recovery lien, the heirs may want to use their own funds to pay the Medicaid claim and keep the home. States are required to waive recovery of expenditures if it would result in undue hardship or impoverishment of the spouse or heirs, for example, when a family farm is the sole income-producing asset of the survivors.

Regulations on the use of Medicaid cost recovery vary widely from state to state. It is important for the real estate professional to be aware of state regulations when working with a client who anticipates selling a home before moving into a care facility and plans to apply for Medicaid benefits. The seller or family would also be wise to consult with an attorney specializing in elder care issues.

### The Next Chapter

In the preceding chapter we examined a variety of options for mature living—from active communities to skilled nursing care. In the next chapter, we will look at options for financing these life choices, with particular focus on reverse mortgages.



## 7. Financing Options

In the U.S., more than 80 percent of the 50+ age group are homeowners. For many, the home represents the largest asset and the equity in it the chief source of net worth. Despite the recent economic conditions, many homeowners have substantial equity through mortgage pay down and value appreciation. But, there is no doubt that the Great Recession took a big bite out of home equity and savings for retirees and near retirees and forced many to rethink retirement plans and dreams.

### Do These Scenarios Sound Familiar?

- Retirees would like to make a transition—downsize, upsize, move to a better neighborhood or active adult community or a more accessible home—but are waiting to get the right price so they can pay cash for the new home and avoid mortgage payments.
- Elderly homeowners are about to lose a home to foreclosure because their fixed income hasn't kept up with the cost of living and mortgage payments are unaffordable.
- An elderly homeowner can't relocate from a declining neighborhood because the sale proceeds from the current home won't be sufficient to buy in a better area.
- A family is struggling to find a way for an elderly relative to stay safely in a long time home but her income isn't enough to pay for in-home assistance.
- Retirees would like to buy a second home, but don't want the responsibility or financial drain of mortgage payments.

Every real estate professional specializing in the 50+ market has encountered these or similar scenarios. The questions are:

- How can home equity be used to maintain and improve the quality of life, accomplish the next transition, or just stop mortgage payments?
- How can real estate professionals close more transactions and help clients accomplish their goals?

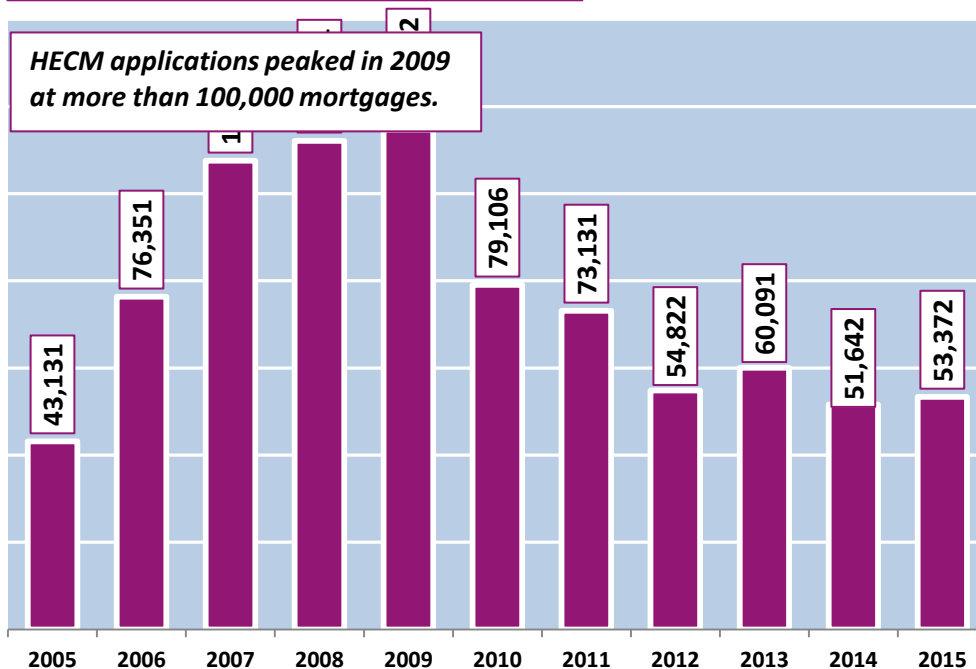
In this chapter, we will explore reverse mortgage financing solutions. As a real estate professional, you can help clients, customers, and families by making them aware of the possibilities and guiding them to the finance professionals who can make it happen. You could be a hero.

## Home Equity Conversion Mortgage

A reverse mortgage, or home equity conversion mortgage (HECM), converts home equity into cash. Like a forward mortgage, the borrower's home secures the loan. It is called a reverse mortgage because money paid in by the homeowners over the years plus value appreciation is paid back to the homeowners who retain the title and continue to live in the home.

### Reverse Mortgage Trends\*

Source: HUD statistics, National Reverse Mortgage Lenders Association, [www.nrmlaonline.org](http://www.nrmlaonline.org)



\* Annual totals are compiled at the conclusion of the fiscal year (September 30).

Reverse mortgages amortize negatively. The payments the borrower receives add to the balance owed at the end of the loan and interest accrues at a fixed or adjustable rate. But the borrower will never owe more than the property is worth, nor can the lender seek access to other assets. The lender places a lien on the property but as long as the borrower lives in and maintains the home, there is never any repayment obligation. Events that trigger repayment include: a move to another home as principal residence or permanent absence (12 months or more), a specified maturity date, death of the last surviving homeowner, sale of the property, failure to pay taxes and insurance or make repairs. The

borrower may pay off the loan through sale of the property or prepayment at any time without penalty.

### **FHA Leading Provider**

FHA insures about 90 percent of HECMs. It also sets standards and policies for the loans, collects data on trends, and monitors lenders. For example, responding to concerns about costs, FHA consolidated the application and paperwork for HECM sell-and-purchase into one transaction. On April 1, 2013, the FHA consolidated the HECM Standard and Saver programs.

### **What Can a Reverse Mortgage Accomplish?**

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When tapping into home equity increases cash flow or enables a change in living situation, homeowners can increase their options and enhance their quality of life. Allaying money worries diminishes stress and contributes to a longer, healthier, and happier life. A reverse mortgage can:

- Supplement Social Security, pension income or public assistance benefits.
- Postpone drawing Social Security benefits thus increasing the monthly benefit.
- Provide an income the borrower cannot outlive.
- Stop mortgage payments.
- Prevent foreclosure.
- Pay for in-home care, medical expenses, and long-term care insurance.
- Prepare a home for aging in place.
- Pay off credit cards, debts, and existing mortgage balances.
- Buy a second home or a new home.
- Upsize, downsize, move to an active community, or relocate closer to family.



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**Types of Reverse Mortgages**

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**■ HECM for Refinance**

The HECM for refinance enhances the quality of life by increasing cash flow. Payout can be monthly, as needed, lump sum, or a combination of methods.

**■ HECM for Purchase**

The HECM for purchase provides a lump sum for purchase of a home. Buyers usually need to make a substantial down payment.

**■ HECM Line of Credit**

A reverse mortgage line of credit allows the borrower to draw funds from the equity in the home as needed. The reverse mortgage line of credit maintains a growth rate that allows the borrower to tap into more equity without needing to refinance; the amount gained through the growth rate is considered to be nontaxable income. If there is a mortgage balance on a property, however, the remaining mortgage balance must be paid off before the reverse mortgage takes effect.

**Fixed or Adjustable Rate?**

A question the HECM borrower must decide is whether to take a fixed or adjustable rate loan. The cost of the mortgage and availability of funds for a line of credit should be compared to a lump sum with a fixed rate as well as which will be most cost effective for achieving a specific goal. A HECM counselor (see page 107) can provide printouts, called TALCs, showing annual and total costs and payouts for all options.

The fixed-rate HECM offers a predictable interest rate and higher loan amounts. HECMs for purchase (H4P) are loans that require the borrower to take the funds and pay interest on the entire amount. H4P loans are usually fixed rate but can be adjustable rate as well; some borrowers may have the finances to take this option and obtain a line of credit for their new home. Depending on state and program guidelines a lump sum payout could disqualify the borrower for public benefits, such as Medicaid. It is always recommended that the borrower consult their advisor such as a financial advisor, CPA, or elder law attorney before selecting this option.

The interest rate of an adjustable-rate HECM will determine whether the total loan amount will offer more, the same, or less than a fixed-rate loan. Keep in mind that with adjustable-rate HECMs the interest rate can increase and that rate cap limit increases annually, as well as over the life

of the loan. HECM adjustable-rate loans can have various payout options such as a lump sum, monthly or annual withdrawal, or a combination of thereof.

### **FHA Reverse Mortgage Program Modifications**

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FHA's Home Equity Conversion Mortgage (HECM) program insures almost 90 percent of reverse mortgages. In order to maintain the viability of the HECM program, FHA introduced significant changes, effective in September 2013 and January 2014. Several trends combined to necessitate the modifications:

- Demographic trend of younger borrowers with higher indebtedness.
- Shift to fixed rate, lump-sum withdrawals from adjustable-rate mortgages, line of credit, and monthly payouts.
- Increasing number of defaults for failure to pay property taxes, hazard insurance, mandatory property charges such as HOA assessments, and maintain the property in good repair.

Qualifying factors for the HECM remain as they did before with the exception of having positive residual income. The qualifications are to identify borrowers that need to have taxes and insurance paid on their behalf or have fund distributed to them to aid in those tax bills. Required set asides will reduce payout amounts, however, a set aside for taxes and insurance can be a great benefit to the borrower and may be worth the cost.

Considering the market share of the HECM program, the modifications will impact the reverse mortgage market. These program changes require potential borrowers to consider their current market as well as their financial needs. The Mortgage Insurance Premium (MIP) varies based on the market and higher mortgage insurance premiums, and fees for loan origination and counseling, results in increased upfront costs.

### **Principal Limits (effective 9/13)**

Calculation of the amount of principal available is still a function of the life expectancy of the borrowers, equity, and property value. New principal limits, however, reduce the amount available by 10–15 percent.

### Payout Limits (effective 9/13)

Lump-sum payouts are capped at the greater of 60 percent of the principal limit or the sum of monthly property obligations plus 10 percent of the principal limit. Monthly payouts (term, tenure, and modified term and tenure) and line of credit disbursements during the first 12 months cannot exceed the greater of 60 percent of the principal limit or the sum of monthly property obligations plus 10 percent of the principal limit.

### Upfront Costs

Origination fees are the greater of \$2,500 or 2 percent of the maximum claim amount (MCA) for properties valued at up to \$200,000 plus an additional 1 percent for properties valued at more than \$200,000. For example, if the MCA is \$300,000, the origination fee would be \$5,000; 2 percent of the first \$200,000 plus 1 percent of \$100,000. The maximum origination fee is \$6,000.

Annual mortgage insurance premiums (MIP) are unchanged, but initial MIPs have increased:

MIP (effective 9/13)	Initial	Annual
■ 60% of principal limit or less .....	.05%	1.25%
■ More than 60% of principal limit .....	2.50%	1.25%

### Financial Assessment (effective 4/15)

HECM borrowers must complete a financial assessment. In the past, HECM qualification focused on the condition of the property and life expectancy of the borrowers. Under the new rules, borrowers must demonstrate the financial capacity and willingness to make the payments required for property taxes, property and flood insurance, and mandatory property obligations, as well as maintain the property in good repair.

The financial assessment includes evaluation of:

- Credit history
  - **Note:** A Non-Borrowing Spouse (NBS) is never included unless they are a co-signor on the account. The debts for a NBS will be included in the residual income test for the borrower in community property states.

- Cash flow residual income to pay obligations and living expenses
- Credit, income, assets, and property charges
- History of timely payments and maintenance of property insurance and property taxes. (HOA fees, if applicable)
- Extenuating circumstances and compensating factors, such as the potential positive impact of the HECM on the borrower's financial capacity.

The borrower does not have to meet qualifying ratios for loan-to-value and debt-to-income as for a regular (forward) mortgage.

### **Required Set Asides (effective 4/15)**

If the financial assessment raises doubts about the borrower's ability to comply with mortgage terms, the lender may set aside funds to pay property taxes, insurances, mandatory property obligations, and repairs identified during the appraisal. The funds may be withheld from a lump sum payment as a life-expectancy set aside, based on the youngest borrower's age, or withholding from monthly payouts.

If the life-expectancy set aside is exhausted, the borrower must continue to pay obligations from whatever funds are available. Even if it is not required, a borrower may voluntarily establish a set-aside fund so that the lender can pay property charges from a line of credit or monthly withholding.

### **Total Annual Loan Cost (TALC)**

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The total annual loan cost (TALC) statement shows the complete loan cost over a period of time. Unlike an annual percentage rate (APR) disclosure, the TALC factors in time and value appreciation. The longer a borrower lives and the lower the appreciation rate, the more likely the balance will surpass the value of the home, which results in a bargain for the borrower. However, if appreciation is high and the borrower lives in the residence for a short time the true cost of the loan can be high.

A homeowner can ask the HECM counselor or lender for TALC rate comparisons for various stages of the loan, rates, and loan types. This request should precede the loan application. The comparison page, TALC, and amortize schedule are supplied again at application. Two limitations on the usefulness of a TALC are:

- It does not take into consideration the added value in a growing line of credit.
- The calculations are based on the life expectancy of one homeowner.

## HECM Fact Sheet

### Eligible Borrowers

- Youngest borrower must be at least age 62.
- Own the property outright or paid-down a considerable amount.
- Occupy the property as your principal residence.
- Not be delinquent on any federal debt.
- Have financial resources to continue to make timely payment of ongoing property charges such as property taxes, insurance and homeowner association fees, etc.
- Participate in a consumer information session given by a HUD- approved HECM counselor.

### Eligible Properties

- Single-family homes
- FHA approved condos and co-ops
- Manufactured homes built after 1976 and installed on a permanent foundation
- 2–4 unit homes with one owner-occupied unit

### Borrower's Obligations

- Complete counseling
- Complete a financial assessment
- Maintain the home in good repair
- Buy homeowner's insurance
- Pay property taxes and mandatory obligations (may be set aside and paid by the lender)

### Payout Limits

#### Four factors determine amount available:

- Age of youngest borrower
- Appraised value or sales price
- Interest rates
- Maximum claim amount

#### Pay out Limit: the greater of

- 60% of principal limit
- Sum of monthly property obligations plus 10%

### Financial Assessment

- Credit history
- Cash flow residual income
- Credit, income, assets, property charges
- History of timely payments and maintenance of property insurance
- Extenuating circumstances and compensating factors

### Pay Out Options

**All require at least one borrower to occupy the home as a principal residence.**

- **Tenure**.....Equal monthly payments as long as one borrower is living
- **Term**.....Equal monthly payments for a fixed number of months
- **Line of Credit** .....Unscheduled payments as needed until line of credit is exhausted
- **Modified Tenure** ....Combination of line of credit and scheduled payments
- **Modified Term**.....Combination of line of credit and monthly payments for a fixed number of months
- **Single pay out** .....Lump sum disbursement at closing

## HECM Fact Sheet

### Set Aside Options (required or voluntary)

- Life expectancy set aside, withheld from lump-sum payout
- Monthly withholding from tenure or term payments, or line of credit
- Lender may set aside funds to pay property taxes, property insurance premiums, mandatory property charges, and repairs identified during appraisal

### Interest Rates

- **Fixed Rate:** same interest rate for the life of the loan
- **Adjustable Rate:** interest rate adjusts annually or monthly; maximum 2% annual adjustment and 5% over life of loan, no cap on monthly adjustable rate. Rate based on T-Bill or LIBOR rate plus lender's margin.

### Upfront Costs

**Counseling** ..... \$125 HUD recommended fee, some services offer free counseling

**Origination Fee** ..... 

- \$2,500 minimum, \$6,000 maximum
- Greater of \$2,500 or 2% of MCA up \$200,000
- Plus 1% of MCA over \$200,000

**Mortgage Insurance** ..... 

- .05% (60% of principal limit or less)
- 2.50% (More than 60% of principal limit)

**Closing Costs** ..... Usual costs associated with obtaining a mortgage, such as appraisal, title search, inspections, recording fees, state and municipal fees, can be financed as part of loan.

### Monthly Fees

**Service Fee** ..... \$30–\$35 (some lenders waive the fee)

**Mortgage Insurance** ..... 1.25% annual rate, collected monthly

**Taxes** ..... Real estate taxes may be set aside and paid by lender.

### When Does the Loan End?

**Move/Absence** ..... The borrowers move to another residence, or the last borrower no longer lives in the home as a primary residence for a period of 12 consecutive months. Short-term stays in a hospital or second home do not disqualify the property.

**Sale** ..... The property is sold.

**Death** ..... The last borrower residing in the home passes away.

**Neglect** ..... The homeowner does not pay real estate taxes or insurance or keep the property in good repair.

## Reverse Mortgage Alternatives

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A reverse mortgage should be compared to selling the home and using the proceeds to rent or buy a home. Factors to compare include:

- Quality of life
- Net sale proceeds
- Cost to buy or rent a new home or reside in a congregate or assisted-living community
- Availability of alternative income-producing investments, potential earnings, and ability to manage the investment
- Availability of community-based support services and public benefits

## Reverse Mortgage Benefits

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- **Tapping built-up equity**

The main benefit of a reverse mortgage is allowing a homeowner to tap the built-up equity in the home by receiving immediate cash, lifetime payments, or a line of credit.

- **Lifetime income**

Tenure payments provide a monthly income that will continue even if the homeowner outlives the actuarial life-expectancy tables. Homeowners can live in the comfort and privacy of their own homes and with the security of stable income.

- **Nonrecourse financing**

Neither the homeowner nor the heirs will ever owe more than the home is worth, even if the home value declines or payouts exceed the value. The lender cannot seek other assets to make up for a shortfall. If the homeowner or heirs try to sell the property in an arm's-length (not to a relative) sale and the proceeds fall short, the remaining mortgage balance is excused. Mortgage insurance compensates the lender for a shortfall.

- **Tax-free payouts**

The IRS does not consider money borrowed through a reverse mortgage taxable income.



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## When Is a Reverse Mortgage Not a Good Idea?

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There will come a time when the option of a reverse mortgage will need to be objectively considered by the potential borrower. In general, if the potential borrower is planning to move in 1 year or less, it may not be advisable. The scenarios below provide examples of when it would not be in the best interest of the borrower to obtain a reverse mortgage.

■ **High-risk, low-return investments**

A reverse mortgage is discouraged when the proceeds are intended for a high-risk investment or one with a lower rate of return than that paid on the line of credit. In order to achieve an advantage, the investment rate of return must exceed the growth rate on the line of credit.

■ **Purchase an annuity**

Using the loan proceeds to purchase an annuity is generally not allowed. The homeowner will need to gather information to determine whether either the HECM or an annuity is the best course of action to meet their financial needs.

■ **Low equity or property value**

When a homeowner does not have much equity in the property—less than 40 percent—or the property value is low, the amount available through a HECM will likely be insufficient to offset the costs. However, even under these circumstances a HECM may be the best course of action for the client. The homeowner will need to determine whether or not this option is the best course of action to meet their financial needs.

■ **Short-term, small financial needs, no compelling need**

HECM costs outweigh the benefits if the borrower's needs are short term or modest. It is usually not the best choice for someone who will likely need nursing home care in the near future. Obviously, the HECM is not meant for flipping properties. As we have seen, the costs associated with reverse mortgages are high; it is not “free” money. If the homeowner does not have a compelling need to draw out the equity, they should not consider a HECM as an option.

■ **Substantial other assets**

Utilizing other substantial assets involves fees, taxes, and penalties. It is often better to use the equity in the home than it is to spend down other assets.

- **Paying for nursing home care, buying into a continuing care community, buying new homes not ready for occupancy**

Because of the residency requirement, a reverse mortgage cannot be used to buy into a CCRC or pay for a nursing home stay of more than 12 months, unless, for example, one spouse continues to live in the home. Payout from a reverse mortgage could, however, be used to pay for long-term care insurance, which would cover a future nursing home stay. Newly constructed homes are eligible if occupied within 60 days.

- **Mortgage default**

If the borrower is in mortgage default the HECM can, potentially, be used to save the home. In order for this option to be available to the borrower the other outstanding FHA loan must be paid off through the HECM.

## **Who Owns the Property?**

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The first step in qualifying for a reverse mortgage involves a look at who owns the property—the names on the title. Remember that qualifying for a reverse mortgage requires the youngest borrower to be at least 62 years old. What are the possible pitfalls?

- A child or grandchild whose name has been added to the title can disqualify the borrower.
- If a sole-owner spouse must move into a nursing home or passes away, the eligible NBS, even if the only heir, is protected from having to move or sell the home; the remaining loan is not due and payable.

## **What Do Heirs Receive?**

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When the last surviving homeowner passes away, the remaining equity in the property goes to the heirs, not the bank. But heirs must either pay off the loan to keep the home or sell it to access the equity. Heirs have a choice to sell (must be an arm's-length sale) the house to pay off the debt, pay off the debt from another source, or obtain a new forward mortgage on the home. Obviously, the heirs must meet mortgage underwriting criteria for a forward mortgage. If the house sells for less than the mortgage balance, the lender is compensated for the difference by FHA insurance.

If there are no heirs, the bank may take possession of the home and sell it. The estate may retain ownership of the property but it must pay off the loan. Spending down the equity in the home, however, reduces the value for estate tax purposes.

### More FAQs about Reverse Mortgages

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**? Why are insurance premiums so high for a reverse mortgage?**

With a reverse mortgage, the lender assumes all of the risk. The insurance guarantees that the borrower will receive the expected payouts by offsetting the risk that the borrower will outlive the equity in the home. The insurance also protects the lender from a shortfall in the sale proceeds or a new forward mortgage because of value decline. If the homeowner or heirs try to sell the property to repay the loan and the sale proceeds fall short of the loan balance, the insurance guarantees that the homeowner, the estate, and the heirs will not owe more than the value of the home. Like any other FHA-insured loan, the sale must be arm's-length and the property cannot be sold to a relative in order to excuse the remaining balance.

**? What if a buyer needs more cash to complete the transaction?**

Others can provide the cash to complete the transaction but it must be available at least 60 days in advance. The borrower must present proof of the availability and source of the funds such as a letter of deposit, proof of liquidation of other assets, deed of sale, or a HUD-1 or closing statement.

**? What if there is a mortgage balance on the home?**

A reverse mortgage requires the property to be owned debt free. All liens will be paid through the reverse mortgage. The potential borrower is not permitted to have a mortgage payment and a reverse mortgage.

**? Is a reverse mortgage an alternative to a short sale?**

Yes and no. FHA guidelines set lending limits as the lesser of the sales price, appraised value, or the FHA limit. If the home value has dropped, thus reducing equity, the lender still must be willing to compromise and reduce the mortgage balance. Assuming an adequate amount of equity remains, the mortgage balance can be paid off with a reverse mortgage.

Depending on the HECM lender, they may be able to negotiate on behalf of the borrower. For example the nation's top reverse

mortgage lender, American Advisors Group (AAG), has a short-sale payoff department that negotiates payoff amounts.

**? Can a reverse mortgage stop a foreclosure?**

Yes, but action must be quick. Assuming the homeowner meets other qualifications—age, substantial home equity, and residency—a reverse mortgage can stop monthly mortgage payments and prevent a foreclosure.

**? How is a reverse mortgage line of credit different from a regular home equity loan?**

- The borrower only pays interest on the amount withdrawn and the remaining line of credit grows at the same rate as withdrawals so that the amount of available credit increases.
- The HECM line of credit does not require repayment until the borrower sells, vacates the home, or passes away.
- The amount available cannot be frozen.
- A negative-equity situation cannot occur. The borrower, or heirs, will never owe more than the property is worth.

**? What are the steps in the application process?**

The application steps are similar to a forward mortgage with the exception of counseling (see page 107). Borrowers must complete a counseling session and obtain a certificate of counseling before starting the mortgage application process. A title search, appraisal, and inspections are ordered at the time of application. For a refinance, defects in the home must be repaired and can be paid for with loan proceeds; for a purchase, the seller must make the repairs.

The underwriter will then review all documentation and confirm that all conditions relating to additional or missing items are satisfied prior to closing. Once all conditions are met, the closing date can be set. The total length of time for the application process will vary by lender and depends on the conditions of the approval as well as how long the borrower takes to satisfy the conditions.

**? What is the impact on Social Security, SSI, Medicare, and Medicaid?**

Payout from a reverse mortgage doesn't impact Social Security or Medicare benefits. But a recipient of a need-based program, like Medicaid and Supplemental Security Income (SSI), must be careful that the payout does not exceed liquid-asset limits (see page 88). As noted earlier, reverse mortgage payouts can impact Medicaid eligibility even though home equity is not a countable asset. An estate

recovery or TEFRA lien placed on a reverse-mortgaged property will prevent an heir from selling the home without first reimbursing Medicaid. Clients should be advised to consult with the local public benefits offices or attorney for information and clarification before taking any action. You, as a real estate professional, should never be in the position to have to provide this advice to your client.

### **Counseling—The Important First Step**

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Counseling is the first step in the HECM application process. Don't underestimate the importance of the counseling session. It must be completed before going forward with the application process. The certificate provided by the counselor becomes part of the application file. The session can take place over the phone, in the counselor's office, or the home. Anyone who will be involved in the decision making, such as other family members or an attorney, can participate in the counseling session. The lender, however, cannot schedule or participate in the counseling session.

The counselor is responsible for:

- Helping the client understand the appropriateness of a reverse mortgage to meet the needs as well as alternatives.
- Explaining the features of the reverse mortgage and its impact on the client and heirs.
- Discussing financial and other needs for remaining in the home, if that is the client's goal.
- Confirming the client's comprehension of the reverse mortgage by asking specific questions.

Counselors may charge a fee, up to \$125, but they must inform the client in advance. Some nonprofit agencies provide the counseling at a reduced or no charge, based on the ability to pay; they cannot refuse on the basis of inability to pay. The fee can be paid out of pocket or out of the loan proceeds.

## Certificate of HECM Counseling

U.S. Department of Housing  
and Urban Development  
Office of Housing

OMB No. 2502-0524  
(expires 5/30/2017)

Provision of this information is required to obtain benefits. HUD may not collect this information, and you are not required to complete this form, unless the form has a currently valid OMB control number.

**Privacy Act Notice:** The United States Department of Housing and Urban Development, Federal Housing Administration, is authorized to solicit the information requested in the form by virtue of Title 12, United States Code, Section 1701 et seq., and regulations promulgated at Title 12, Code of Federal Regulations. While no assurance of confidentiality is pledged to respondents, HUD generally discloses this data only in response to a Freedom of Information Act request.

Homeowner(s) Name(s):

Property Address City/State/Zip

The U. S. Department of Housing and Urban Development (HUD) requires that homeowner(s) interested in pursuing a Home Equity Conversion Mortgage (HECM) receive information about the implications of and alternatives to a reverse mortgage. The HECM counselor must adhere to all of FHA's guidelines regarding information that must be provided to the potential HECM mortgagor and must tailor the session to address the unique financial circumstances of the household being counseled.

### Counselor Certification:

In accordance with Section 255 of the National Housing Act and 24CFR 206.41, I have discussed in detail the following items with the above referenced homeowner(s)

- Options other than a Home Equity Conversion Mortgage that are available to the homeowner(s), including other housing, social service, health and financial options.
- Other home equity conversion options that are or may become available to the homeowner(s), such as other reverse mortgages, sale-leaseback financing, deferred payment loans, and property tax deferral.
- The financial implications of entering into a Home Equity Conversion Mortgage.
- A disclosure that a Home Equity Conversion Mortgage may have tax consequences, affect eligibility for assistance under Federal and State programs, and have an impact on the estate and heirs of the homeowner(s).
- Whether the homeowner has signed a contract or agreement with an estate planning service firm that requires, or purports to require, the mortgagor to pay a fee on or after closing that may exceed amounts permitted by the Secretary or in Part 206 of the HUD regulations at 24 CFR.
- If such a contract has been signed, the extent to which services under the contract may not be needed or may be available at nominal or no cost from other sources, including the mortgagee.
- The Home Equity Conversion Mortgage will be due and payable when no remaining borrower lives in the mortgaged property, or when any other covenants of the mortgage have been violated. (Borrowers are those parties who have signed the Note and Mortgage or Deed of Trust.)

I hereby certify that the homeowner(s) listed above have received counseling according to the requirements of this certificate and the standards of the U.S. Department of Housing and Urban Development, as described in mortgagee letters, handbooks, regulations, and statute. This interview was held: ☐ Face-to-Face ☐ Telephone and the amount of time required to cover the above items was as follows: \_\_\_\_\_.

Counselor's Name (Printed):	HUD-Approved Counseling Agency Name:	
Counselor Name (Signature & Date):	Address (City/State/Zip)	
X	Telephone No:	Agency Employer Identification No:

### Homeowner Certification:

I/we hereby certify that I/we have discussed the financial implications of and alternatives to a HECM with the above Counselor. I/we understand the advantages and disadvantages of a HECM and each type of payment plan, as well as the costs of a HECM and when the HECM will become due and payable. This information will enable me/us to make more informed decisions about whether I/we want to proceed with obtaining a HECM. I/we understand that I/we may be charged a counseling fee that may be paid upfront to the counseling agency or if I decide to proceed with a HECM loan, financed into the mortgage and payment under any of these methods will be reflected in the 800 series on the HUD-1 settlement statement in accordance with HUD's Real Estate Settlement Procedure regulations at 24 CFR part 3500 (see 24 CFR 3500.8).

Homeowner Signature & Date:	Homeowner Signature & Date:
X	X

(All homeowners shown on the deed must sign the mortgage and this counseling certificate.)

Upfront Fee for Counseling Session: \_\_\_\_\_ Financed Fee for Counseling Session: \_\_\_\_\_ Fee Waived: Yes ☐

Date Counseling Completed: \_\_\_\_\_ Certificate Expiration Date: \_\_\_\_\_ (180 days from date HECM counseling completed)

form HUD-92902 (6/2014)

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### **Six-Step Counseling Process**

HUD requires HECM counselors to follow a specific protocol when conducting the counseling session, send a required information packet before the session, and follow up to confirm understanding.

**1. Schedule an appointment.**

It's okay to shop around for a counselor; some are booked 2–3 weeks in advance but others may have immediate availability.

**2. Counselor contacts the client and sends an information packet.**

The client can ask for sample loan printouts to review in advance.

**3. Counselor collects information from the client.**

**4. Counseling session.**

It's a good idea to prepare a list of questions to ask during the session. Counselors are required to discuss other options such as refinancing an existing mortgage or moving to an assisted-living residence.

**5. Certificate of HECM Counseling.**

When the counseling session is complete, the counselor provides a certificate attesting to completion of the counseling session. This certificate becomes part of the application file.

**6. Follow-up.**

Contact information for HUD-approved counseling services and other information sources appears on page 117.

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## Scenarios

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### It's Time to Move—How a Reverse Mortgage Made It Happen

Lois McGrady, aged 80, is in fairly good health except for her eyesight which has become progressively weaker over the last couple of years. Since her husband passed away she is increasingly confined to her home. Lois still lives in the bungalow home she and her husband bought when their daughter, now the mother of teenagers, was a toddler. The neighborhood isn't as safe as it used to be and Lois would like to move into a seniors-only condo development close to her daughter's home. Lois accepted an offer of \$174,000 for her bungalow, but condos in the senior development start at \$215,000. The sale proceeds won't be enough to afford the higher-priced condo. From the bungalow home sale proceeds Lois makes a required down payment of \$85,000 and pays reverse mortgage closing costs of \$2,750. The reverse mortgage provides \$130,000 to complete the purchase of the condo. After the transaction, she has a nest egg of \$86,250 to cover the monthly condo assessment and other expenses.





### **Buying a Second Home**

Dorothy and Brad Lennell are active retirees. Dorothy just celebrated her 65th birthday and retirement. Brad, aged 70, retired three years ago.

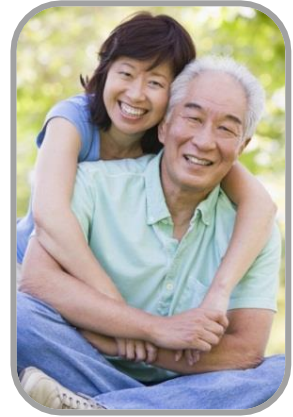


Now that Dorothy has retired they are looking forward to spending winters in a warmer climate. With many of their friends purchasing properties in Florida, they want to take advantage of the opportunity to buy a second home close to their friends, but still with room for their children and grandchildren to come for visits. Brad nurtures a dream of traveling around the country in an RV while they are both in good health. They both have good pensions and income from 401(k) plans but would rather use the equity in their current home, valued at

\$532,000 with no mortgage, instead of dipping into their savings. Based on Dorothy's age, they qualify for an adjustable rate reverse mortgage line of credit of \$285,950. In the first year, they use \$190,000 toward purchase of a three-bedroom condo in Ft. Myers, Florida. The remaining \$95,950 line of credit is available for future expenses and maybe for leasing an RV.

## Stopping Mortgage Payments, Prevent Foreclosure

Henry Liang's children finally convinced him to retire at age 70. Henry and May, his wife, purchased their current ranch-style home 15 years ago. May, who passed away a year ago, was in the early stages of multiple sclerosis when they purchased the home and they needed a one-level home. Henry's delayed retirement increased his Social Security benefit but the printing company where he worked for 30 years is going bankrupt and the pension he counted on may be lost or greatly reduced. He still owes \$125,000 on the mortgage on his home and the monthly payment is \$1,594; the appraised value is \$358,000. Henry wants to continue living in his home, but if his pension is lost it will be a real stretch to continue the mortgage payments. His children are dealing with job layoffs too, and his daughter recently asked if she and her husband could move in. Henry qualifies for an adjustable rate reverse mortgage that will pay off the mortgage balance on his home and provide a first-year \$21,000 line of credit, and \$58,500 after the first year. Henry will be free of the burden of future mortgage payments. He can also afford the estimated cost of \$10,000 to enclose a porch in order to increase the amount of living space.



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### Buying a New Home

Ruth Sorenson and Lillian Adams have been co-owners of a successful art gallery and life partners for more than 20 years. At ages 64 and 68, they are ready to move out of the city and retire from high-stress business



ownership. While operating their business, they lived in a rented loft apartment above the gallery. In their retirement years, they want the privacy and security of owning a home. Ruth and Lillian plan to relocate to a nearby small town with a budding artists' colony and open a weekends-only gallery. The sale of their business netted \$165,000. They found the

perfect home priced at \$181,000, in good repair, but in need of updating. Based on their ages and the value of the home, they qualified for a fixed rate reverse mortgage of \$95,358 after closing costs. After making the required down payment of \$85,642 from the sale proceeds of their business, they have \$79,358 remaining to pay for updating the kitchen and bathroom and starting a new business. They own their first home and have no mortgage payments.

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## Supplementing Income

Virginia Dwyer, aged 79 and widowed, was always on the go before rheumatoid arthritis affected her mobility and ability to drive. She would like to stay in her home but has trouble keeping house and preparing meals. Her two sons live nearby but have young families and demanding careers; they can't provide day-to-day assistance. Virginia values her independence and the serenity of her home. If she moved into either son's home she would be living under the same roof with teenagers. Homemaker assistance for a couple of hours a day—for meals, grocery shopping, errands, light housekeeping, and trips to the doctor—would provide enough support for her to remain safely at home, but will cost almost \$1,200 a month.



Virginia's income decreased when her husband passed away and now, with the expense of costly medications for her arthritis, it will be difficult to afford the help she needs to stay in her home. Her home is valued at \$510,000; which qualifies her for an adjustable rate reverse mortgage line of credit up to \$300,472. She can withdraw up to \$172,480 in the first year. Virginia can draw on the equity in her home to pay for homemaker assistance and prescription medicines other as well as expenses.

### Key Decisions About Reverse Mortgages

- ✓ **Choosing a counselor**
- ✓ **Considering payout options and timing**
- ✓ **Estimating leftover equity**
- ✓ **Picking an interest rate**
- ✓ **Selecting a lender**
- ✓ **Sharing the decisions with family and heirs**
- ✓ **Spending your equity**



Source: AARP, *Smart Money Newsletter*, [www.aarp.org](http://www.aarp.org).

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### Family Issues

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The circumstances, needs, wishes, and quality of life of the elder family member should be the decisive factors in obtaining a reverse mortgage. When family members and heirs can be part of the decision-making process, they have an opportunity to work through the practical and emotional issues and participate in making the best choice for the family dynamic. Although heirs are not responsible for the debt accrued on the home, they do need to understand fully the mechanics of the reverse mortgage and their options when the loan comes due. Although they receive the remaining equity, if any, heirs must pay off the loan with other assets, sell, or refinance with a new forward mortgage. If heirs want to keep the property but can't pay off a loan or qualify for a mortgage, they may feel unfairly deprived of an expected inheritance.

Family members can, and should, participate in the counseling session. The HECM counselor is required to document the names and relationships of everyone participating in the counseling session. A person holding a durable power of attorney, a life trust, or appointed conservator is eligible to obtain the loan on behalf of the homeowner; proof of these authorizations must be provided to the counselor.

Almost every real estate professional has encountered a situation in which adult children have ulterior motives, but most family members

have their elderly relatives' best interests at heart; they want them to live comfortably in a safe, suitable home and enjoy a good quality of life. Real estate professionals should never try to take the place of a lender or HECM counselor, but they can make families aware of reverse mortgage possibilities and help them work through the issues to see what is best for the relative and the family.

## **Opportunities for the Real Estate Professional**

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Reverse mortgages create transactions when clients use the mortgage to purchase property. And there is the potential for two transactions when clients sell a home and buy another using the reverse mortgage for the purchase.

As the preceding scenarios demonstrate, the reverse mortgage opens possibilities for homeowners who cannot make a move because of low income. For homeowners whose homes lost value in recent years, the reverse mortgage may help them realize, and accept, that home values may never return to hot-market prices but that there are viable options. Homeowners waiting to "get the right price" may be motivated to go ahead with planned moves if they do not have to rely on the cash proceeds from sales.

Real estate professionals should take precautions to involve all necessary family members for discussions on reverse mortgages. Always be cognizant of the needs of the seller and act in the manner that best serves them. Take time to explain to the seller, as well as involved family members, how a reverse mortgage may be in their best interest. If handled improperly, suggesting a reverse mortgage may cause hardship between you, the seller, and other family members involved in the seller's well-being.

Remember, for many members of the mature generations, the home is an anchor that should never be risked. For baby boomers, on the other hand, the home may be viewed as a financial asset and source of funding for lifestyle choices as well as supplementing retirement income.

## Resources

### National HECM Counseling Network

The following agencies are approved by HUD to provide face-to-face and telephone counseling nationally:

#### National Foundation for Credit Counseling

[www.nfcc.org](http://www.nfcc.org)

#### Money Management International

[www.moneymanagement.org](http://www.moneymanagement.org)

#### National Council on Aging

[www.ncoa.org](http://www.ncoa.org)

#### ClearPoint Financial Solutions

[www.credability.org](http://www.credability.org)

#### Springboard

<http://springboard.org/reverse-mortgage?kw=widget-ar/>

#### HomeFree

[www.homefreeusa.org](http://www.homefreeusa.org)

#### Greenpath

[www.greenpath.com](http://www.greenpath.com)

#### Neighborhood Reinvestment Corporation

<http://www.neighborworks.org/Homes-Finances>

### Additional Information Sources

#### AARP

[www.aarp.org/money/credit-loans-debt/reverse\\_mortgages](http://www.aarp.org/money/credit-loans-debt/reverse_mortgages)

#### NeighborWorks HECM Resources

<http://www.hecmcounselors.org/>

#### HUD FHA Reverse Mortgage for Seniors (HECM)

[www.hud.gov](http://www.hud.gov)

#### National Reverse Mortgage Lenders Association

[www.reversemortgage.org](http://www.reversemortgage.org)

#### NeighborWorks Center for Homeownership Education and Counseling (NCHEC)

<http://www.neighborworks.org/Training-Services/Resources-for-Counselors-Educators>

#### Reverse Mortgage Advisor

[www.reversemortgageadvisor.com](http://www.reversemortgageadvisor.com)

## Installment Sales

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If the seller has substantial equity in the property and does not require a lump sum payment from the sale, an installment sale is an option that can provide tax benefits. The seller pays tax only on the amount received during the calendar year, instead of the entire amount, which spreads out the tax liability. For tax purposes, each payment received is apportioned between ordinary income and capital gain. If the home sold qualifies for the IRC 121 Exclusion and the gain is under \$500,000 (MFJ) or \$250,000 (S), then only the interest accrued each year would be taxable. Title may or may not pass to the purchaser at the time of the installment sale, depending on state law.

As with any other real estate transaction, the seller should negotiate a down payment—20 percent down payment is advisable. The seller then assumes the role of a lender and “carries back” the loan. The buyer makes regular payments, usually monthly. At least one payment must be received in the tax year after the sale. For older sellers the loan structure should be amortized over 30 years, but due in 10–15 years. This ensures that the principal stays relatively intact and creates a favorable situation for the heirs.

## Benefits

- **A larger pool of potential buyers**

Some buyers only look for properties that offer seller financing. They may have difficulty getting a conventional loan. For example, sometimes it is difficult for a self-employed buyer to obtain a conventional loan because of income-verification requirements, even if the borrower has perfect credit.

- **Tax benefits**

Tax consequences depend on individual circumstances but hefty amounts of taxes can follow a large capital gain—especially in high-value areas. Seller financing reduces the tax burden by spreading the gain over time as payments are received. It may prevent being bumped into a higher tax bracket or allow time to take some capital losses to offset the capital gain.

- **Good interest earnings**

Seller financing rates are usually higher than the rate paid by money market accounts and CDs.

- **Relatively safe investment**

Seller financing with at least a 20 percent down payment and a



responsible, creditworthy buyer can be a very secure investment. The seller receives monthly income, with a relatively high interest rate, and the investment is secured by real property.

**Note:** In most cases, the sale of a principal residence will be tax-free due to the Tax Code Provisions covered in the next chapter. All references to “capital gain” refer to gain in excess of the applicable \$250,000 or \$500,000 exclusion. We will examine this in greater detail in the next chapter.

### The Next Chapter

In previous chapters we’ve looked at the many considerations that go into choices about making transitions. In the next chapter, we will take a look at tax issues that are of particular concern for older taxpayers and how they impact retirement-living choices.



## 8. Tax Matters

In this chapter, we'll look at some tax issues of particular concerns for age 50+ homeowners and retirees. Real estate professionals don't need to memorize all of the details of the following tax issues, but they should be aware of the concepts and ramifications for real property ownership and transfer. When issues and concerns arise, the real estate professional should advise clients to seek the advice of appropriate experts.

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### **Deductibility of Interest Expense on a Reverse Mortgage**

Depending on the type of reverse mortgage, the mortgage becomes due when the borrower moves, sells the home, reaches the end of a pre-selected loan period, or dies. Because reverse mortgages are considered loan advances and not income, the amount the borrower receives is not taxable. Any interest expense accrued by the borrower on a reverse mortgage is **not deductible** until the interest is actually paid, which is usually when the mortgage is paid off.

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### **Declaring a Principal Residence**

Tax considerations can impact retirees' choices of where to live. A state that has low or no personal income tax or sales tax or low real estate tax rates provides an advantage for retirees living on fixed incomes. For those who maintain a home in more than one state, the issue of declaring a primary residence can significantly impact income and real estate tax as well as even how property is divided among heirs. For example, many states provide a homestead exemption that offers some tax relief for seniors who are residents of the state.

**Note:** The IRS states that a taxpayer can have only **one** primary residence at a time.

How can homeowners with residences in more than one state prove which residence is their principal residence? Proofs or residency include:

- An affidavit declaring residency
- Voter registration
- Documented length of time spent in the residence
- A bank account
- Church or temple membership
- Driver's license

- Utility bills
- Mailing address on a tax return
- Reference to the domicile/principal residence in a will

Real estate professionals should know about available tax breaks, such as exemptions or postponement of tax payments for retirees and older homeowners. For example, some states offer a property tax deferral or freeze so that elderly homeowners are not taxed out of their homes; the state may recover deferred taxes through a property lien due on sale or death of the homeowner or surviving spouse.

### **Understanding Capital Gains Tax**

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Capital gains tax is an important consideration for all real estate owners—homeowners, investors, and second-home owners. In real estate, a capital gain is the difference between the adjusted basis (usually the amount paid for the property plus improvements and transaction costs) and the current sales price.

Adjusted basis is the starting point for determining gain or loss. The basis of a property may be its purchase price, fair market value at a specified date, or a substitute basis. Capital improvements and transaction costs increase basis; depreciation (on investment and income property) reduces it. The lower the adjusted basis, the higher the gain, and conversely, the higher the basis, the smaller the tax implications. To reduce or minimize the capital gains tax purposes, a high adjusted basis is best.

Depreciation, or cost recovery, allows a yearly tax deduction of a portion of the value of the property but reduces the owner's adjusted basis in the property. When a depreciated property is sold or exchanged, the cost recovery deductions taken over the years are recovered, or recaptured, and may be taxed as a capital gain at a tax rate of up to 25%. Property that may be depreciated is sometimes called 1250 property, referring to the specific section of the IRS code. Buildings, structures, and improvements are depreciable; land is not depreciable.

Long-term capital gains are value increases on assets owned for more than a year; varying tax rates apply based on the owner's tax bracket. Gains on property owned for less than a year are taxed as ordinary

income. Losses on the sale of an investment property (not a primary residence) are generally fully deductible and offset ordinary income.

### **Basis Step-Up for Heirs**

Basis step-up is an important concept for transfer of property to heirs. The estate is subject to tax based generally on the fair market value of the assets at the time of death, not the deceased's basis. But heirs receive the estate assets with a stepped-up basis of fair market value at the date of the decedent's death. This means that if an heir sells an asset received from the estate before the asset further appreciates in value, there is no capital gain tax due on the sale. The stepped-up basis rule applies to real property included in the decedent's gross estate. In community property states, surviving spouses benefit from a stepped-up basis for both the inherited and their own shares of community property.

To prevent using this rule to circumvent the tax law by temporarily gifting the property to someone who is very ill or elderly and having that person will it back, the stepped-up basis rule does not apply to property acquired by the decedent by gift within one year of the date of death when the heir is the original donor or donor's spouse. The decedent's basis in the property carries over to the heir.

### **Capital Gains Tax on Sale of Principal Residences**

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All real estate professionals should know the current rules regarding treatment of capital gains on the sale or exchange of a principal residence. Despite a generous tax exemption on the gain on the sale of a principal residence, capital gains tax can be an issue. The basics are:

- A capital gain of up to \$250,000 or \$500,000 for married couples filing jointly is exempt from tax if the property has been owned and used by the taxpayer as a principal residence for at least two years out of the five years prior to the sale.
- The exemption does not require a minimum age or rollover to a higher-valued property. It can be claimed repeatedly as long as residency requirements are met.
- A widowed homeowner can claim the full \$500,000 exemption if the sale occurs within two years of the death of the spouse and the surviving spouse has not remarried.

- Military and Foreign Service personnel on qualified active duty assignments are allowed to suspend the five-year test period for up to 10 years.
- If the homeowner must sell due to an illness or disability (their own or that of a family member for whose care they are responsible), job relocation, or specified unforeseen circumstances,<sup>21</sup> a prorated portion of the gain is excluded. For example, if a homeowner lived in a house as a principal residence for one year before becoming disabled and forced to sell the home in order to relocate to a care facility, the exemption would be reduced by half; \$125,000 for single (S), \$250,000 for married filing jointly (MFJ) of capital gain would be exempt. A physician must certify the need for medical care.
- Capital losses on the sale of a principal residence are not deductible.
- A principal residence is not depreciable for tax purposes, unless an office in home is used.

### Capital Gains Tax on Sale of Converted Second Homes

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After January 1, 2009, sales of properties used as second homes will always be a taxable event. Before January 1, 2009, a second-home owner could convert the property to a principal residence by living in it for two years and thus exclude \$250,000 (\$500,000 for joint filers) of taxable gain upon sale. A provision of the 2008 Housing and Economic Recovery Act made the sale of a principal residence used as a second home (nonqualified use) for any time after January 1, 2009, subject to capital gain tax regardless of how long the owner lives in the home. In order to calculate the amount of taxable gain, it is important to understand the concept of nonqualified use: it is any period of time the homeowner, or spouse, or former spouse did not use the residence as the principal residence.

### Exceptions

- Any time the residence was used or owned before January 1, 2009 (pre-2009) does not figure in the calculation. In other words, long-time owned second homes are not as adversely impacted.
- Any portion of the five-year period after the property is used as a principal residence is not included. This alleviates a tax burden on

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<sup>21</sup> Unforeseen circumstances include natural disasters, terrorism, job layoff, death, death of a spouse, divorce, separation, and multiple births.

homeowners who move to a new home and have difficulty selling the previous principal residence due to a slow market.

- A temporary absence, up to two years, due to changes in employment, health, or specified unforeseen circumstances.

### Example

Cliff and Shirley Anderson purchased a vacation home in 1999 for \$95,000 and sold it in 2014 for \$250,000. Although they used the vacation home as a principal residence for the 2 years prior to the sale, a portion of the gain will be taxable. Why?

The Andersons occasionally used the vacation home for 3 years (nonqualified use) after January 01, 2009. In 2012, they sold their principal residence and moved into their vacation home. The Andersons lived in their former vacation home as a principal residence for two years before selling it in 2014 for \$250,000. Because 3 out of 5 years were nonqualified use, 60 percent of the gain, \$93,000, is taxable.

- The Andersons owned the vacation home for 5 years after January 1, 2009 and sold it in 2014. Years of ownership before 2009 do not count.
- During the 5-year period, they used the home for 3 years as a vacation home (nonqualified use).
- The taxable portion of the gain is calculated by multiplying the total gain by the ratio of nonqualified use to the entire period of ownership after January 1, 2009:

$$\text{gain} \times \frac{\text{nonqualified use after 1/1/09}}{\text{entire period of ownership after 1/1/09}} = \text{taxable gain}$$

$$\$155,000 \times \frac{3}{5} = \$93,000$$

- The amount of gain on the sale is \$155,000 and the taxable portion is \$93,000 (60 percent).
- If the Andersons had rented out the property in order to claim deductions for depreciation, the sale would also be subject to cost recovery recapture taxed at a maximum of 25 percent.

The longer the period of ownership in relation to use as a second home, the less the percentage of taxable gain, but it will never be zero.

## Estate Tax Issues

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Estate tax planning is an important issue for individuals with high net worth.<sup>22</sup> Real estate professionals do not need to be experts in estate tax matters, but they should be aware of some the tax triggers so that they can advise clients and customers to seek expert advice.

Federal estate tax is calculated on the basis of the *total value* of all of a decedent's assets in excess of a specified level; the total value can be applied to the lifetime exclusion amount of \$5,430,000, as of 2015. The total value, or equity, of the estate generally does not include certain assets such as life insurance proceeds paid to another beneficiary or a home occupied by a surviving spouse. Therefore the equity of the estate may or may not subject the estate to federal estate taxes depending on the whether or not the equity of the estate exceeds the lifetime exclusion amount. Transfers of property between spouses, known as the marital deduction, are exempt even when one spouse passes away, except if the surviving spouse is not a U.S. citizen. If the value of the estate exceeds an amount offset by a tax credit, known as a unified credit, the excess amount is taxable. Under the current tax structure, only a small percentage of estates actually pay estate tax, but compared to ordinary income and capital gains tax rates, the rates are quite high.

## Same-Sex Spouses

In August 2013, the IRS ruled that same-sex spouses who are legally married in a jurisdiction that recognizes same-sex marriages are treated as married for all federal tax purposes including estate tax. The ruling applies regardless of where the couple lives. The ruling does not apply to domestic partnerships.

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<sup>22</sup> In 2014, estates of more than \$5.34 million are subject to federal estate tax. The exclusion increases to \$5.43 million in 2015.



### **Life Partners and Non-U.S. Citizen Spouses**

Unmarried life partners are not accorded the same federal estate tax benefits as married couples. Non-U.S. citizen spouses, even if legal residents, are also at a disadvantage for estate tax.

The IRS does not allow a marital deduction for property bequeathed to a non-U.S. citizen spouse. They may receive annual gifts of up to \$147,000 (effective in 2015) from their citizen spouses without tax implications. But all of a citizen spouse's assets are included in the gross estate including the share of a jointly owned principal residence. Estate value in excess of the amount offset by the unified credit is taxable. The IRS rationalizes that a non-U.S. citizen surviving spouse may circumvent future tax liabilities by leaving the U.S., transferring assets out of the country, and renouncing residency.

Unmarried couples are not allowed to claim a marital deduction. They can make annual gifts to each other up to \$14,000 but they cannot take advantage of the federal marital deduction for transfer of their estates.

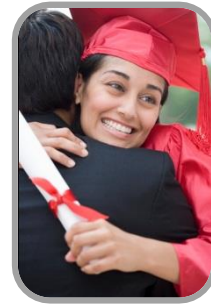
Financial planners may advise life partners and spouses of non-U.S. citizens who own substantial assets to establish a trust, usually a qualified domestic trust (QDOT), to receive estate assets and manage the potential tax burden.

If you are working with high net worth clients who are unmarried couples, or non U.S. citizen spouses, a recommendation to consult with a financial planner or tax advisor about estate tax issues may be much appreciated advice.

## Gift and Generation-Skipping Tax

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Gifts of assets to intended heirs during life, instead of as a bequest, moves assets out of the gross estate. It also provides the givers the pleasure of making the gift during their lifetime and assures that assets go to particular individuals. An individual can make an annual gift to any other individual, free of gift taxes or reporting, of up to \$14,000 per recipient; each spouse can make gifts up to that amount for a total of \$28,000 in a year to any other person. When a gift exceeds \$14,000, the value of the gift is based on the fair market value as of the date of the gift and not on the donor's basis. This includes an interest in real property.



*Payment of medical expenses or college tuition is not subject to gift tax if the payments are made directly to the institutions.*

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Gift tax is paid by the donor if the gift exceeds \$14,000, but in reality, very few donors ever pay a gift tax. This is due to the fact that as gifts are made during the donor's life, although a gift tax return must be filed, no tax is payable out of pocket until the cumulative amount of lifetime gifts exceeds the unified credit exclusion. Payment of medical expenses or college tuition is not subject to gift tax if the payments are made directly to the institutions; these are known as "direct transfers." The top gift tax rate is 40 percent.

**Note:** A common misconception about gifts is that any gift over the exclusion (\$14,000 in 2015) results in the payment of gift tax. This is simply not true in 99.9 percent of all gifts, due to the fact that the gift value in excess of \$14,000 is applied against the lifetime exclusion amount, which is \$5,430,000 in 2015. The gift tax return Form 709 simply serves the purpose of keeping track of the remaining lifetime exclusion amount.

A common occurrence is for a parent to make a gift of an interest in property to a child or other beneficiary as a means of avoiding probate. Transferring a title or adding an individual to the title of real estate can have gift tax consequences. Adding an individual to the title of real estate and granting them a half ownership and a survivorship interest will usually exceed the \$14,000 annual limit. Attorneys and tax advisors who are experts in estate planning should be consulted.

A unified credit is used to offset cumulative tax liability for lifetime gifts, generation skipping gifts and bequests, and estates. The unified credit is applied. The accumulated taxes due on lifetime gifts are subtracted from

the estate tax credit; any portion of the unified credit not used to eliminate gifts or generation-skipping transfers can be used to reduce or eliminate the estate tax.

Gifts and bequests from grandparents to grandchildren can trigger generation-skipping transfer tax. Gifts and bequests made to heirs who are not direct descendants, such as the children of a life partner, can also trigger GST tax of 40 percent if the recipient is 37.5 years younger than the donor. The unified credit for gift and estate tax can be used for generation-skipping tax. If you are aware that clients intend to bypass their adult children and give or bequeath high value property to grandchildren, your recommendation to seek expert tax guidance could be welcome advice.

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### **Can an IRA Own Real Estate?**

A traditional IRA, Roth IRA, or SEP can own real estate in a self-directed account. Eligible types of property are land, commercial property, rental condominiums or residential property, trust deeds, and real estate contracts. The purchase must involve an IRA custodian or trustee specializing in real estate. The custodian or trustee actually makes the purchase on behalf of the account owner and holds the title to property. There are some important limitations to be aware of. An owner cannot have any personal use of the property, which means that a personal residence or vacation home cannot be owned by an IRA. Real estate that is already owned cannot be placed in the IRA. Property owned by immediate family (spouse and children) cannot be purchased. All of the property expenses, such as taxes, insurance, and repairs, must be paid from funds in the IRA, which means liquid funds must be available in the account. Income generated from the investment is deposited in the IRA; the IRA owns the property, which can provide the liquid funds needed for expenses. Real estate may be withdrawn from an IRA for use as a residence or vacation home when the owner reaches age 59½; the IRA can sell the property or transfer the title to the owner. Income tax will be due on the current value of the property if it has been held in a traditional IRA; if the property was held in a Roth IRA, there is no tax on the distribution. A client who is interested in purchasing real property to hold in an IRA or SEP should seek out a specialist in real estate or self-directed IRAs. An easier way is to invest in a real estate investment trust (REIT), which is similar to a mutual fund.

## Tax-Deferred 1031 Exchanges

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**Note:** The place for the real estate professional in a 1031 exchange is to bring the buyers and sellers to the closing table. The exchange, and all parties to the exchange, should consult with both legal and tax advisors. While a Qualified Intermediary or Accommodator is not technically required by law, we recommend that the client intending to complete an IRC 1031 exchange contact such a professional.

Over the years of building careers and accumulating assets, many in the 50+ age range acquire investment and commercial properties. When the time comes to reconfigure a real estate investment portfolio or convert business property, the tax-deferred 1031 exchange enables postponement of capital gains tax.

Federal tax law allows taxpayers to defer capital gains tax on the exchange of property used in trade or business or held for investment. A 1031 exchange postpones taxes, not eliminates them, although with the basis step-up that occurs when a property is transferred to an heir, capital gains taxes are in essence forgiven at that time. A real estate professional should be able to recognize situations in which a 1031 exchange would be permissible and advantageous to a client and assist clients in finding the needed experts to carry out the exchange.

A 1031 exchange involves an exchange of like-kind real estate for like-kind real estate. It is treated under the tax code as a continuation of the ownership of the property instead of a taxable sale. The tax-deferred exchange of assets is neither a tax loophole nor a privilege available only to wealthy investors. It is a method of equity preservation available to all owners of investment and trade or business property. The benefits extend beyond conserving capital assets. Tax-deferred exchanges can be used to:

- Increase equity by deferring capital gains tax.
- Acquire property with more appreciation potential.
- Consolidate assets by combining several properties into one larger asset or diversify holdings by exchanging one large asset for several smaller ones.
- Acquire a future retirement residence. (Special rules apply.)
- Divide real estate holdings prior to distribution to heirs.
- Relocate or increase investment holdings in another location.
- Obtain space for business expansion.

- Dispose of underperforming property.
- Increase net cash flows by acquiring a property with better financing.
- Obtain non-taxable cash by acquiring property that can be mortgaged. (Special rules apply.)
- Increase depreciable property basis by acquiring higher-value property or exchanging bare land for improved property.
- Increase estate value by acquiring more valuable properties.

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**Basic Rules for Tax-Deferred 1031 Exchanges**

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- The properties, both old and new, must be used in trade or business or held for investment. Property that is held for resale is considered “dealer property” and is not eligible for a 1031 exchange. A personal residence is not eligible for exchange.
- Property must be exchanged for like-kind property.
- The names of title holders on the replacement property must match those on the title of the relinquished property.
- Replacement property must be identified within 45 days of transferring the relinquished property.
- The replacement property must be acquired (closed) within 180 days or the tax filing deadline, whichever comes first, of transferring the exchange property. The tax filing deadline can be extended to preserve the 180-day replacement method.
- There is no limit on the number of properties that may be relinquished.
- The limits on replacement properties are:
  - Maximum of three replacement properties without regard to fair market value (otherwise known as the "3 Property Rule," which is the most commonly used), or
  - Any number of replacement properties with aggregate value not exceeding 200% of the value of the relinquished property, or
  - Any number of replacement properties if the exchanger receives 95% of the aggregate value of all identified properties.

### What Is Like-Kind?

The term “like-kind” is one of the concepts most widely confused by investors who erroneously think they must acquire a replacement property exactly like the relinquished property. Like-kind does not refer to the type of property; instead it addresses the use of the property. A property used in trade or business or held for investment must be exchanged for property to be used in trade or business or held for investment. Some examples of like-kind are:

- A condominium for a duplex
- A rental house for a multiunit rental
- Bare land for an apartment building
- Ranch land for an office building
- Several rental houses for an office building

### Property Not Eligible for 1031 Exchange (Either Relinquished or Replacement)

- Personal residence
- Stocks, bonds, notes, or other types of securities, evidences of indebtedness, or interest
- Domestic properties for foreign properties
- Stock in trade and other property held primarily for sale (inventory or dealer property)

### Taxable Boot

Cash or non-like-kind property, known as boot, received in an exchange is taxable. For example, if an exchanger acquires a replacement property of lesser value than the relinquished property, the resulting cash out would be taxable. Mortgage relief is also considered taxable boot. Although the exchanger is taxed on the boot received, that tax will be less than the amount of capital gains tax owed on an outright sale of the property. In any case, the amount of tax owed on boot can never exceed what would be owed on a sale.

### **Documenting the Intent to Exchange**

When the intent is to transfer and acquire property through a tax-deferred 1031 exchange, the purchase and sale agreement (or an addendum) should contain language reflecting the exchanger's intent and requesting the other party's cooperation. If the exchanger decides prior to closing not to proceed with the exchange, the transaction is simply closed as a taxable transaction. The wording could be as follows: "It is the intent of the seller to perform a Section 1031 exchange and the buyer is asked to cooperate by signing an Assignment Agreement at no cost or liability to the buyer."

### **Exchanging a Vacation Home**

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Vacation homes held for both personal use and investment purposes can be viewed as mixed-use. It is possible for the character of the property to take on a primarily personal appearance even with the occasional rental activity. In such a case, the property will be considered primarily personal in use and will not qualify for a 1031 exchange. Because it does not qualify as a personal residence, the disposition or sale of the vacation property will produce a taxable event. If personal use of a vacation home is minimal (no more than 14 days or 10 percent of the days it is rented out), it can be successfully argued the property is held primarily for investment. Where income earned has been substantial, it can also be successfully argued the property is primarily for productive use in a trade or business. Both uses qualify the property for 1031 treatment.

### **Personal Residence Received in an Exchange**

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What if an investor purchases a residential property, not currently a rental property, in an exchange? A property acquired in a 1031 exchange and later converted to a principal residence must be owned for five years and lived in for two years from the date of the exchange before the owner can sell the residence and claim the \$250,000/\$500,000 capital gains exclusion on the sale of a principal residence. If the exchanger moves into the property immediately after the transaction, it could invalidate the exchange on the basis of non-like kind. Most exchange experts counsel that the exchanger should wait two years before moving into the residence. In the interim, the property could be rented, at fair market rent, to a tenant. The tenant could even be a family member, such as a child, but the IRS may scrutinize the validity of the lease when family members are involved.



# A Typical 3-Way Exchange

Tax-deferred 1031 exchanges seldom involve an even exchange between two owners of properties with equal value





Edward wants to relocate to Scottsdale, Arizona, from Albany, New York. He currently owns an income property, Center Court Apartments, in Albany. He would like to maintain an investment in rental property and wants to acquire a similar property in Arizona. If he sells the Albany property outright, he will face a hefty tax bill. A tax-deferred exchange of real property seems like a good option.

- Susan lives in Scottsdale, Arizona, and owns Silver City Apartments. She recently inherited the apartment building from her father's estate and has no interest in being a landlord. She would prefer to sell the property.
  - Bob recently received a cash windfall from stock options and would like to put his money into real estate. He currently does not own any investment property.
1. Edward engages the services of a qualified intermediary (QI). On May 1st, Edward contracts to sell Central Court Apartments to Bob for \$1,000,000 with a closing date of May 17th. Edward assigns all rights in his agreement with Bob to the QI.
  2. On May 5th, Edward notifies Bob in writing of the assignment of rights and on May 17<sup>th</sup>, Bob and Edward close on the sale of Center Court Apartments.
  3. Bob pays \$100,000 at closing into Edward's escrow account with the intermediary (QI).
  4. On June 1st, Edward identifies Silver City Apartments as a replacement property (within the 45 days).
  5. On July 5th, he contracts to purchase Silver City Apartments from Susan for \$900,000, assigns his rights in that agreement to the QI, and notifies Susan in writing of the assignment.
  6. On August 9th, the QI pays \$900,000 to Susan and deeds Silver City Apartments to Edward. The QI then transmits the remaining \$100,000 to Edward to close the exchange. Edward will have a partially-taxable exchange due to the \$100,000 (cash boot), but he can deduct his exchange expenses from the \$100,000 to determine how much is taxable.

## Qualified Intermediaries (QIs)

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In the preceding example, a qualified intermediary handles the exchanges of deeds and cash. Exchange transactions are complicated endeavors and if not carried out correctly, the tax benefits are lost; therefore the involvement of an expert is essential. An exchange accommodator, a qualified intermediary (QI), should be involved before elements of the transaction are put into play. Use of the QI prevents actual or constructive receipt of cash proceeds, an event that would disqualify the exchange and produce a tax bill for the exchanger.

It is important to seek out a reputable, experienced, and expert accommodator to act as intermediary. QIs are not licensed or regulated, except in Nevada. The Certified Exchange Specialist Designation program offered by the Federation of Exchange Accommodators provides some assurance of knowledge and competence. There is no requirement for bonding or insurance, although most QIs maintain both.

QIs sometimes charge nominal fees because they make a considerable amount of money from the interest on cash held on behalf of clients. Some QIs keep all of the interest and others keep a portion. An exchange agreement should state the QI's split of the interest. The exchange agreement should also stipulate that the QI cannot resign; QI resignation invalidates the exchange. Encourage your client to carefully review the details of the exchange agreement and consult with an attorney. Some exchange agreements go to great lengths to protect the QI but offer little protection for the client.

## Why Exchanges Fail

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Real estate professionals who specialize in exchanges estimate that up to 40 percent of exchange transactions fail for several reasons:

- Missed deadlines (the 45-day and 180-day rule).
- Lack of suitable replacement properties.
- Negotiations breakdown—if the owner of a replacement property knows that the exchanger has time constraints, it may be used as negotiation leverage on price or terms.
- Lack of patience—for those accustomed to sell and buy transactions, the sequence and time frames of an exchange, particularly a reverse or deferred one, can seem overlong and out of sync.
- Focusing too much on acquiring the first-choice property and not developing a “plan B.”

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**Community Property**

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Almost a third of the U.S. population lives in one of the community property states: Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, and Wisconsin. These states include some of the nation's fastest growing urban areas as well as popular vacation-home and retirement locations. California, Arizona, and Texas alone account for more than 20 percent of the U.S. population. This is important knowledge for a real estate professional because community property ownership of real estate is determined by the location of the property, not the residence of the owner.

The basic principle of community property is this: All property acquired during a marriage is presumed to be community property with each spouse owning an equal share. Community property status is retained even if the couple moves to a common-law state; although separate property moved to a community property state retains its separate status. The income from community property is considered community property. In Texas, Louisiana, and Idaho even income from separate property is community property unless spouses specifically agree otherwise.

In the context of capital gains, community property status is important because when one spouse passes away, both the deceased and the surviving spouse's share of the property receives a basis step-up to fair market value. The basis step-up resets the basis for the entire property. If the surviving spouse sells the property, capital gains tax will be due only on the amount in excess of the stepped-up basis. When a married couple owns greatly appreciated real property this basis adjustment can yield considerable tax savings for the surviving spouse; in essence, all of the capital gains tax that would be due on the value appreciation during the couple's ownership of the property together is forgiven upon the death of one of the spouses. Property must be titled as community property, not joint ownership, and be included in the deceased spouse's estate in order to qualify for the basis step-up. This could be a problem in areas where real estate is a high-value item. Remember, the estate tax exclusion in 2015 is \$5,430,000.

Separately owned property can be converted to community property by gifting one-half of a spouse's separate property to the other spouse; gifts between spouses are neither taxable nor limited, except for non U.S. citizen spouses. However, if the recipient spouse dies within one year of the gift and the property is passed back to the original donor, the basis of the gifted portion will not be stepped up to fair market value.

## Taxes on Social Security and Pension Income

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If Social Security is a sole source of income, benefits are not taxable because they do not exceed the base amount. But 50–85 percent of Social Security benefits are taxable if a recipient's income from other sources exceeds a base amount.

As a rule of thumb, add one-half of the total Social Security income received to all other income, including tax-exempt interest. If the total is more than the base amounts—\$32,000 for a married couple filing jointly and \$25,000 for single, head of household, widow/widower with dependents, or married filing separately—Social Security benefits are taxable as income.

Distributions from pension accounts, deferred compensation, traditional IRAs, and 401(k) plans are generally taxable because contributions to these accounts are made with pre-tax dollars. The advantage is that in many cases, the recipient is in a lower tax bracket during retirement than during working years.

## The Next Chapter

In the next chapter, we will take a look at some legal risk management issues for real estate professionals who work with clients and customers in the 50+ market.



## 9. Legal Matters

## Risk Management Issues

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Many real estate brokerages have a program of risk reduction measures to deal with common issues such as client representation, records management, and agent compensation. Working with clients and customers in the 50+ market can present distinct issues, situations, and challenges. Real estate professionals need to know how to respond to protect their clients' interests as well as their own. Even with the best of intentions, lack of awareness can lead to delayed or disrupted transactions and sometimes conflicts of interest. Real estate professionals can protect themselves, their clients, customers, and transactions by asking the right questions and knowing when to advise their clients to seek legal counsel.

The following discussion deals with general principles of legal issues; your instructor will alert you to state-specific issues and regulations.

## Confidentiality Issues

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The REALTOR® Code of Ethics affirms the responsibility to maintain client confidentiality. Real estate professionals who specialize in the 50+ market know that there can be distinct challenges to overcome when clients are very elderly or infirm.

- **A relative or child may make first contact**

In a crisis situation, it is often an adult child or other relative who makes the first contact. The real estate professional should ask tactfully if the elder buyer or seller is aware of the conversation and a willing and informed participant in the transaction. It is also important to establish if the family member has the legal authority, such as a power of attorney, to conduct the real estate transaction.

- **Verify ownership and identity**

If in doubt, take the extra step to ascertain true ownership of the property and who has the authority—power of attorney—to rent or sell it. Ownership can be verified with a quick check of tax records. Also, verify the identity of the person you are talking with and the relationship with the elderly owner.

- **Ask for permission to share confidential information**

A real estate professional must deal with the owner directly unless authorized to deal with others, such as family members. The real estate professional should ask for, and document, an elder client's permission to share transaction information with family members.

The Code of Ethics states that REALTORS® must keep client information confidential, but the client can consent to sharing information.

### ■ **Involvement of family members**

A relative or caregiver can assist both the elderly homeowner and the real estate professional by acting as a guide, interpreter, and facilitator. They can help an elder work through the emotional and practical issues that may be involved in selling a home. A real estate professional can help by keeping the relative up to date and providing copies of transaction documents.

### ■ **Adult children don't always know**

Adult children may have little or no knowledge of the parent's financial affairs. Furthermore, children may be inexperienced when it comes to buying and selling real estate and lack market knowledge. The real estate professional can help by identifying needed information and sources.

### ■ **Provide information on alternatives**

When the children live in another community or state, they may be unaware of care and community support services that could help an elderly parent remain in the home. A specialist can help a family make choices by providing information and contacts and sharing examples of what other families have done.

### ■ **Be alert**

Unfortunately, even family members can have bad motives and intentions; the real estate professional should be on the lookout for fraud such as selling properties out from under elders. The REALTOR® Code of Ethics states that a REALTOR® is not bound by confidentiality if a crime is intended and can be prevented.

## **Selling Below Market**

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Experienced real estate professionals advise caution when asked to list a home at a below-market price. Why does this happen? Consider these circumstances:

- The seller accepts a below-market offer in order to sell the home to a relative and other family members question the deal.
- A high-value home is priced low for quick sale and the heirs question the deal.

- The seller says, “This is how much I want. I just want a quick sale.”

What should the real estate professional do? Write a letter to the client stating that the property is listed below market value. Prepare a CMA showing the current value and ask the seller and buyer to sign it in order to acknowledge the below-market price or offer. Keep all of the documentation justifying the price. Market the property as a “best value in the community.”

## Power of Attorney

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A power of attorney authorizes a person to act as a legal representative, an attorney-in-fact, for another and make binding decisions in medical, legal, and financial matters. Authority can be unlimited in scope and duration or limited to a specific time frame or certain types of decisions, such as medical care.

Creating a power of attorney can be a rather simple process, but the specific language required for certain types of powers of attorney can vary from state to state so it is best not to try to create one on your own. A number of websites offer power of attorney forms for free or low cost but these may not be tailored to your state. Financial and health care institutions often provide, and prefer, their own forms because their attorneys have reviewed the forms to ensure they are legally adequate for the purposes of those institutions. When having an older adult sign documents, it may be beneficial to have a witness present who may sign a statement that they were present and establish their relationship to the owner. A valid power of attorney document requires notarization and possibly the signatures of one or more witnesses.

A power of attorney may take effect immediately, at some point in the future, or under certain specified conditions, a springing event, such as incapacity due to illness. States do not generally require registration of powers of attorney with one exception: real estate transactions. Some states require registration of a power of attorney for real estate transactions with the land records office.

Real estate professionals should be alert for the following issues related to powers of attorney. Although not specific to the elderly, these issues can arise more frequently when working with senior clients.



**■ Proof of power of attorney**

If someone other than the owner states that he or she is authorized to act for an elder in a real estate transaction, it is appropriate to ask to see a power of attorney or an attorney's letter attesting to such authority. If a transaction involves someone acting under a power of attorney, a copy of that power of attorney will become a part of the transaction documentation.

**■ Power of attorney ends with death**

A power of attorney terminates when the grantor passes away or becomes incapacitated. After the power of attorney is terminated it does not authorize the holder to settle estate matters or dispose of property. If someone states that they have power of attorney to dispose of real property after the owner has passed away or become incapacitated, the real estate professional should ask for verification of authority. Upon death, an executor, named in the will or appointed by the court, assumes responsibility for settling estate matters and disposing of property as directed by the terms of the will. Court-issued letters testamentary authorize an executor to transact estate business.

A durable power of attorney differs from an ordinary power of attorney in that it will survive the incapacity of the grantor and may, in fact, only come into effect upon the incapacity. The real estate professional should still ask for verification of authority in situations where someone claims to have authority to buy, sell, or manage property for a principal who is incapacitated.

**■ A health care proxy cannot authorize other actions**

A power of attorney authorizing decisions about medical care, sometimes called a health care proxy, does not authorize the holder to act on other matters. Completion of a durable power of attorney often accompanies creation of an advance directive, or living will, specifying limits on resuscitation or invasive life support measures. But that power of attorney may be limited only to medical decisions and immediate financial needs. The health care proxy does not have the authority to sell or transfer property to heirs or handle estate matters.

**■ Acceptance in other states**

Although states generally recognize powers of attorney granted in other states, details, such as the number of witnesses, can stall acceptance of the authority to act. Hospitals and financial institutions, like banks, mortgage companies, and insurers, may require

completion of their own power of attorney forms. When a power of attorney must cross state lines or several institutions are involved, completion of several powers of attorney forms may be necessary to ensure that the authorized person can take action. This is especially important when real estate is involved and the attorney-in-fact resides in another state—particularly if the state requires registration of a real estate power of attorney.

■ **Spouses do not have an automatic power of attorney**

A surviving spouse has authority to make decisions regarding jointly owned property with right of survivorship (joint tenancy or tenancy by the entirety) and manage jointly held bank accounts. But if one spouse becomes incapacitated, the other does not automatically have the authority to dispose of property or make decisions about financial matters. As we will see in the following section, it may be necessary to petition for a court-appointed guardian when issues of competency or incapacity are involved. In a situation like this, the real estate professional should verify that the spouse has authority to act in real estate transactions.

■ **Terminating a power of attorney**

As noted above, a power of attorney ends when the grantor passes away. But there are other conditions that terminate a power of attorney:

- Divorce (durable power may survive in some states)
- Inability of the designated person to assume the duties and no successor is specified
- Invalidation by a court
- Revocation by the grantor

■ **What if no power of attorney exists?**

Sometimes action must be taken to safeguard assets or complete a transaction, but the person who has authority to do so is no longer capable or competent or has passed away. When no one else is authorized to act, someone may petition the court to appoint a guardian or conservator to protect the interests of the incapacitated person or other interested parties.

Before listing, or upon taking the listing before marketing, have a title company with which you have a relationship look over the power of attorney. The title company will need to see the power of attorney at

some point in the transaction and is often willing to review this prior to the transaction taking place; the same process applies for trusts.

### **Conservators, Guardians, and Executors**

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The courts may appoint a conservator or guardian with the authority to manage the personal needs and financial resources of the person who lacks legal capacity. Or the courts may appoint an executor to settle estate matters.

What is the difference?

- **Conservator:** appointed to manage property
- **Guardian:** appointed for the protection of a person or an estate
- **Executor:** a personal representative identified in a will as responsible for carrying out the instructions and wishes of the deceased
- **Administrator:** a court-appointed estate executor

### **Conservator**

A conservator is appointed to manage the assets of people who lack capacity to make decisions. Although laws vary among states, the conservator usually needs court authorization to sell real estate. The court may appoint the same individual as conservator and guardian.

### **Guardian**

A court-appointed guardian for a person is responsible for ensuring food, clothing, shelter, and medical needs are met. A guardian for an estate is responsible for managing financial affairs. The same individual can be a guardian for both the person and the estate. The spouse is usually the court's first choice; the second choice is a child or relative. If a relative is not available and able, the court may appoint some other party or a public guardian. A person who is to be placed under guardianship is entitled to receive a copy of the application, be present at hearings, and be represented by an attorney. The party filing the application for guardianship must prove incapacity. In emergency cases, a court may appoint a temporary guardian if the person or property is in imminent danger.

## Executor

The executor accounts for all of the assets of a person who passes away and makes sure heirs receive inheritances per the instructions in the testator's will. The executor also settles debts and taxes owed by the estate. An executor usually has the authority to sell real property if needed to settle debts and pay expenses, like medical and funeral expenses. The will, however, must expressly authorize sale of real property for any other purpose.

A real estate professional, whether representing a buyer or seller, can ask for verification of an executor's authority to sell a property, and should not assume that a person appointed to act as executor knows the extent of authority granted in the will.

## Who Cannot Be Appointed

People who cannot be serve as guardians or conservators include:

- Minors
- Anyone involved in a lawsuit or adverse claim against the person or property or who owes a debt
- A nonresident without a resident agent
- Someone specifically eliminated in a will or designation of guardianship

## Disadvantages

Disadvantages of court appointment proceedings are:

- Records and proceedings are public record
- Expense of court costs
- Appointee may be a stranger
- Recovery requires court proof

## Conflicts of Interest

Real estate professionals who specialize in the 50+ market often develop close relationships with their elder clients. But a real estate professional should not become a trustee,

guardian, or conservator for a client without first consulting an attorney. Despite good intentions, the situation can be fraught with potential conflicts of interest and family members may accuse the real estate professional of taking advantage of their elderly relatives.

### **Competency Issues**

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A child may state that a parent is not competent to handle business affairs, but the parent is still the owner of the property and the deal cannot go forward without consent and signature. The parent is viewed as competent until declared legally incompetent.

Remember, appearances can be deceiving. Years of observing social conventions—“hello, how are you? I’m fine”—become durable habits that even those in advancing stages of dementias and Alzheimer’s can summon up like a reflex. But, in the next minute, they forget who they spoke to or fail to recognize family members. Medical professionals refer to this as social convention abilities.

The real estate professional must handle this situation very tactfully and avoid the appearance of doubting the family member or caregiver. However, do not let yourself be put in the position of judging the veracity of statements, authenticity of documents, or competency of clients. Ask for proof of a power of attorney or court appointment as a conservator or guardian and appropriate authorization.

The best course of action may be to withdraw from a conflicted situation until the competency issues are resolved. If you are a buyer’s representative and your client makes an offer on a property that is embroiled in a family conflict, make sure the contract is contingent on an attorney’s review to ensure that the buyer receives a clear title.

### Case Study: Five Acres for Sale

Real estate professional Rhonda received a call from Cal Marsh stating that he owned a five-acre lot and was interested in listing it for sale. Rhonda was familiar with the property and thought that Cal's mother was the owner. In checking tax records, Rhonda discovered that the property was in fact owned jointly by Cal's mother and aunt. When she asked Cal Marsh about the ownership, he stated that he handled his mother's business affairs. Rhonda wrote the listing contract, but Cal's mother refused to sign it. His aunt also refused to sign the listing contract. A several-years-old appraisal valued the property much higher than the current market value. The market dropped since that appraisal but the aunt could not understand why the property would not fetch the same high price now. Cal said his mother was not competent to sign a contract but she seemed lucid when Rhonda met her.



What are the issues involved in this scenario? What would you do in this situation?

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### Case Study: Letting Go

Soon after Marty and June celebrated their 50th wedding anniversary, Marty suffered a stroke that severely impaired his cognitive abilities.



When Marty was moved from the hospital to a care facility, June moved in with her daughter. It was clear to all that she could not manage on her own. June's daughter called real estate professional John and asked him to help sell her parents' home. She said that her father, who used to handle all the financial matters, was incapacitated and her mother could

not deal with all that goes into listing, showing, and selling a house. Everyone is suffering the loss and the realization that Marty will not recover; June is depressed and has become very withdrawn lately. When John asked about the ownership of the house, June's daughter said that as far as she knew her parents owned it jointly—they shared everything.

What are the issues involved in the situation? If you were June's agent, what would you do?

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## When a Client Dies or Becomes Incapacitated

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What happens if a client dies during a transaction, the term of a listing, or after making an offer to purchase? Generally, if a seller passes away during the term of a listing the authority to market and sell the property per the listing contract terminates. A commission may still be due the listing agent if there was an accepted offer prior to the death. If a buyer passes away it does not necessarily cancel an accepted offer to purchase. From a practical standpoint, the buyer's representative may wish to discuss the situation with the listing agent and work out a settlement short of the estate buying the property. Once appointed, the buyer's personal representative or the executor of the estate may either complete the transaction or negotiate a contract termination.

When a buyer or seller becomes incapacitated, it is a much murkier situation. Unless the individual has executed a power of attorney authorizing another to handle legal matters, a court proceeding would be needed to designate a representative to act on behalf of the buyer or seller.

## Probate

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The probate process ensures, literally proves, that the intent of a decedent is followed. Probate proceedings can last up to a year or longer and expenses can run as high as 10 percent of the estate. The proceedings are public record and a court-appointed administrator may not be a relative, which involves an outsider in family matters. On the other hand, probate is a court-ordered proceeding, provides notices to creditors, and provides a process for settling objections by heirs and creditors.

Some assets pass to heirs outside of probate. For example, life insurance proceeds paid to a beneficiary other than the estate itself, are not subject to the probate process. Property titled as joint ownership with right of survivorship and community property with right of survivorship (where allowed) pass to the joint owner outside of probate. Assets held in a trust generally bypass probate.



### **Listing a Property in Probate**

- The court decides the necessity or advantage of the sale.
- The sale may be ordered to pay debts and taxes.
- Publication of a sale notice is required unless waived in the will.
- The listing is signed by the personal representative with approval of the court.
- The court approves the amount of brokerage compensation.
- A hearing is required to confirm the sale.

### **Life Estates and Trusts**

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A trust is an estate planning entity that manages the use and distribution of assets. A trust that is created during the owner's lifetime is called a living trust; a trust that is created upon the owner's death is called a testamentary trust. A living trust holds assets during life and distributes them at death. A trust can be revocable, which means it can be changed or revoked any time prior to death, or irrevocable. By holding real estate in a trust, individuals can preserve the use of the home for themselves and control the eventual transfer to heirs without probate. Upon death, the trustee takes over administration and the trust continues for the benefit of named beneficiaries. A trust can also be used during the owner's lifetime to plan ahead for possible incapacity and avoid appointment of a conservator or guardian. Creation of the trust and transfer of assets to it are not a matter of public record so privacy is maintained.

The trust can hold real estate and pass it to heirs without the need for probate. This is advantageous for the heirs of an individual who owns real property in another state because it avoids the hassles of going through a probate process in more than one state. In an era of blended families as a result of divorce and remarriage, a trust arrangement also ensures that estate assets go to the intended heirs.

An attorney should create the trust documents and assist with transfer of assets to the trust (the cost is usually \$1,200–\$1,500). Unfortunately, boiler-room sales operations sometimes target the elderly and use high-pressure tactics to sell living trusts; the victim pays several thousand dollars for what amounts to a set of preprinted forms.

### Marital Trust, A/B Trust

Spouses can establish an A/B, or marital, trust to create a federal tax exemption, twice postponing tax on their estate. Each spouse puts his and her property into the trust. When the first spouse dies, his or her half of the property goes to the beneficiaries named in the trust, usually the couple's children, with the important condition that the surviving spouse has a life estate, the right to use the property for life, and is entitled to any income it generates. When the surviving spouse dies, the property passes to the trust beneficiaries. It is not considered part of the second spouse's estate for estate tax purposes. Using this type of trust keeps the second spouse's taxable estate at half the size it would be if the property were left directly to the spouse. This type of trust is also known as a marital life estate trust or credit shelter trust.

**Note:** Tax legislation referred to as the Deceased Spouse Unused Exclusion (DSUE) can accomplish much of the same as the A/B Trust.

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### Does Your Client Own Real Estate in Mexico?

Low cost of living, mild climates, upscale housing developments, and ease of travel draw many U.S. retirees to Mexico. Real estate ownership in most of the desirable locations is restricted. Within 100 kilometers of the borders, or 50 kilometers along coastlines, foreigners can own real property through a trust called a *fideicomiso*. The owner's trust interests, however, pass to named beneficiaries outside of probate—an advantage for heirs.

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### Elder Law Attorney

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As we have seen in the preceding material, working with buyers and sellers in the 50+ market, particularly the elderly, can present some distinct issues. An attorney who specializes in elder law can help elders and their families deal with immediate issues and plan ahead for life transitions. Although this chapter has covered a number of issues that arise when a property owner passes away, an elder law specialist deals with a broader range of concerns. Attributes that distinguish the elder law attorney are:

- **Life-focused:** emphasizes sustaining a long life
- **Integrated:** incorporates legal issues into the larger picture of maintaining independence and quality of life
- **Interdisciplinary:** partners with other professionals—real estate professionals, social workers, health practitioners, financial planners—in a holistic approach<sup>23</sup>

### **Certified Elder Law Attorney**

The National Elder Law Foundation (NELF) offers a certification program for attorneys who specialize in and devote a substantial portion of practice to elder law. The NELF certification is approved by the American Bar Association. The foundation offers an online directory of certified attorneys. NELF certification is voluntary and many attorneys who are competent and experienced in the field of elder law do not hold the certification. However, the CELA certification demonstrates an investment in and commitment to the specialty.

#### **Notes:**

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<sup>23</sup> Charles P. Sabatino, "Elder Law, a Perspective on Present and Future," American Bar Association Commission on Law and Aging, <http://new.abanet.org/aging>.

### Checklist: Selecting an Attorney

- Does the attorney have expertise and a good track record in the area of law you need?
- Does the attorney explain legal terms in a straightforward manner?
- Will you feel comfortable working with the attorney and sharing confidential information?
- Does the attorney pay attention, take notes, ask questions, and follow up on the points you bring up? Does the attorney return your calls within a reasonable time?
- Is the attorney's appearance and demeanor professional?
- Is the attorney willing to provide references?
- Ask what schools the attorney graduated from; check credentials with the state bar association.
- Look at the condition of the office. Does it look organized and well run?
- Is the computer equipment up-to-date and a match for the staff?
- The office location is a good indication of rates to expect. Are the firm's costs reasonable? Are you paying for a name firm but receiving the services of a law clerk? If an associate lawyer is working with you, is he or she supervised by a senior attorney?

Hourly rates should not always be the only determining factor. An attorney who has low hourly rates but lacks expertise may need more time to complete a job and actually cost more in the long run than an attorney with higher hourly rates and the expertise to do the job properly.

### The Next Chapter

Now that we have covered details of tax and legal matters, it's time to focus on building your 50+ market business, reaching out to prospects, and communicating your value proposition. Let's begin by looking at business-building outreach methods.



## 10. Marketing and Outreach

As we have seen in preceding chapters, demographics alone tell us that the 50+ real estate market segment will expand as mature adults and baby boomers age and live longer healthier lives. Although most prefer to stay in familiar communities, their housing needs and preferences will change as they age through life phases. For the real estate professional, now is the time to start building relationships that will pay off in the future. It's a well-known fact that buyers and sellers like to do business with people they know, but there is a lot of competition for consumers' attention and loyalty. How can you get acquainted with prospects in the 50+ market, distinguish yourself, and communicate a winning value proposition?

Earning the SRES® designation says a lot about your commitment to and seriousness about serving mature and baby boomer buyers and sellers. In this chapter, we will look at practical steps you can take to put the SRES® designation to work for you in your marketing plan. We'll look at how to make contacts and establish relationships as well as do's and don'ts of marketing to mature and baby boomer consumers. As many specialists will attest, the real estate professional who invests the time and effort today in nurturing a network of prospects will gain a reputation as a trusted real estate advisor that will pay off in the future.

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## **The Half-Century Consumer**

How do people who have reached and surpassed the half-century mark view themselves as consumers? What are their needs and wants in a home for today and the future? And what are the best ways to approach them and win their attention and loyalty?

### **Conservative, Loyal, Frugal**

Mature consumers imbue brands with trustworthiness and authority and consider brand loyalty a virtue. Remember the "This is not your father's Oldsmobile" advertising campaign? It is a good example of attempting to capture the boomer market by playing on the brand loyalty of the parents' generation. On the other hand, boomers are more likely to experiment with new and different brands.

Thrifty spending habits characterize the elder and mature consumers who experienced the Great Depression or WWII years. Fear of outliving assets reinforces their penny-wise approach. Free-spending boomers have responded to the economic shockwaves that began in 2008 with a new-found frugality.

### Not in a Hurry

Unless faced with a crisis situation, most age 50+ home buyers and sellers don't need to rush into a transaction. Regardless of how realistic the viewpoint, both buyers and sellers have a "waiting for the right price/property" mindset. High pressure tactics will likely backfire. Scare tactics—act now!—may provoke a reaction, but do not build a long-term relationship. It is better to stress the benefits than evoke worry by dwelling on the what-ifs.

### Savvy Consumers

Mature adults have a lifetime of consumer experiences including large purchases and investments. Baby boomers grew up in an era of flourishing consumerism and have been immersed in it all of their lives. Consequently, these generational groups are very savvy consumers. The real estate professional must be able to articulate a meaningful value proposition, back up knowledge with experience and credentials, and demonstrate expertise.

Plus, there is no one-size-fits-all approach to the market. Expert marketers attest that the companies that are most successful in winning and keeping market share among mature consumers are those that offer options for interfacing—face to-face interaction, email, texting, phone, mail, and social media.

### As Old as You Feel? Forever Young?

When communicating with baby boomers do not use the word "senior." Aging is not part of their self-image and the word "senior" can be a big turnoff for them. The most successful companies never focus on age; they stress the positive aspects of their products or services. A good example of this is cruise-line advertising, which delivers the message by showing mature couples enjoying the cruise-vacation experience or by simply describing the enjoyment and positive aspects of onboard services, dining, and entertainment. Savvy marketers realize that mature consumers are good at discerning choices that are right for them.

For example, the Hasbro Company's advertisements for the large-print



*The term "senior citizen" is a big turnoff for baby boomers who see themselves as "forever young."*

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version of *Scrabble* stresses the ease of using the product and says nothing about the age or ability of the user.

## Social

Do not underestimate the power of word of mouth. Mature adults are more likely to share negative and positive experiences with friends and family and consider recommendations from them. Given the importance of personal referrals when choosing a real estate professional, excellent service and asking for referrals are paramount in gaining and keeping clients. But, the biggest mistake real estate professionals make when working on a referral basis is failing to ask for future referrals.

## Time to Spare?

Mature retired adults generally have more time at home and therefore tend to spend more time watching TV and reading newspapers than other groups. They also take the time to look at all the direct mail pieces they receive, which makes direct marketing an effective method for reaching the mature market.

## Prospecting Strategies

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- Sponsor refreshments at a club meeting, bingo game, or bridge tournament.
- Sponsor a seminar on any topic of interest.
- Provide a speaker for a program.
- Show a movie at a senior center.
- Volunteer for meals on wheels or provide transportation to medical appointments.



- Let other professionals know that you specialize in mature adult real estate matters, such as physicians, health care workers, elder attorneys, accountants, pharmacists, church or temple staff, golf pros, hair stylists, and care facility administrators.
- Offer no-cost real estate consulting service for mature adults; many communities offer information services for elders and you could become the real estate expert.
- Speak at senior communities about moving from one's long-time home. Have a downsizing company speak at the same venue to ease the topic of transitioning.
- Supply retirement communities with your handouts for prospective residents. Use this as an opportunity to develop a relationship with their senior community.
- Post your business card on bulletin boards where mature adults are likely to gather.
- Network with merchants and service providers that target mature adult clientele.
- Get involved with service organizations that tend to have older memberships such as Rotary, Kiwanis, American Legion and VFW, Elks, lodges, and garden clubs.
- Purchase a mailing list for zip codes with concentrations of mature adults.
- Search local property records for homeowners who have owned the same property for 10–15 years.
- Ask for a copy of a senior center's mailing list (don't be surprised if the list is confidential).
- Support and get involved with local politicians who are interested in senior issues.
- Write an advertorial on real estate issues.
- Participate in senior-oriented expositions and fairs.
- Keep track of where retired people who relocate to your market area move from and establish a referral contact there.
- Get interviewed by the press. Establish your expertise by sending local media a steady stream of ideas in article or press release format; make sure the information is substantive and not repetitive. When a reporter needs a senior real estate source, you will be a likely interview subject.

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## Lawful Target Marketing

By Nan Roytberg

Past Associate Counsel, National Association of REALTORS®

It's a well-established marketing principle that narrowing the segment of prospective customers you want to attract lets you create a more effective targeted message and ultimately yields you a better bottom line.

But the Fair Housing Act says it's unlawful to discriminate against members of certain protected classes in providing real estate services, even if these groups don't fit in with your targeting strategy. More specifically, you can't "make, print, or publish, or cause to be made, printed, or published, any notice, statement, or advertisement with respect to the sale or rental of a dwelling that indicates any preference, limitation, or discrimination based on race, color, religion, sex, handicap, familial status, or national origin, or an intention to make any such preference, limitation, or discrimination."

With these limitations looming over you, how can you create an effective marketing plan that focuses on one or more parts of the population without running afoul of the Fair Housing Act? That's a difficult question—a question for which we don't yet have all the answers.

To date, neither the courts nor the U.S. Department of Housing and Urban Development have provided specific guidance on some of the more gritty, real-life questions related to this issue: "Is it okay to describe myself as African American on my website so prospective clients who prefer an African-American salesperson can easily find me?"

Unfortunately, until more guidance is available, the only safe course of action is to focus your target marketing activities on what's clearly permissible under the Fair Housing Act and scrupulously avoid what isn't—even if it occasionally seems to put a crimp in your marketing strategy.

### What to avoid

Perhaps the most critical mistake you can make is to base your marketing decisions on prospective clients' membership—or nonmembership—in any of the classes protected by the federal Fair Housing Act or by your state's fair housing laws. This means you can't focus your business plan or advertising tactics only on Hispanics or Arab Americans and exclude African Americans, Asians, or Caucasians, for example. Likewise, you can't market your services only in Christian-oriented publications or on television, even if you'd prefer to target only those who want a Christian salesperson. (Note that advertising restrictions under the Fair Housing Act apply to all forms of print and electronic media.)

Practitioners who want to specialize in senior housing and issues such as retirement and reverse mortgages face a similar challenge. Even though you may legally make customers aware you have special expertise that can benefit seniors, you must be sure to make your services

available to seniors who have children in their households. And unless a community is qualified as senior housing under HUD regulations, you must never refuse or forget to show families with children properties just because many seniors live there. The rule not to market on the basis of membership in a protected class applies even if the protected class is one that you belong to. Also note that the Fair Housing Act makes it illegal for anyone in a brokerage office to be designated as the associate who automatically services all clients who are of the same ethnic or racial background as the associate.

### **Focus on your skills, property**

Does that mean then that you can't let buyers know that you're fluent in the language they speak? Not at all. Under the Fair Housing Act, there's nothing wrong with marketing yourself as having certain language skills. So long as you pitch your services to the population at large, not just to those ethnic groups who speak your language, it's fine to indicate in your promotions that you speak Arabic, Spanish, or whatever.

Then prospects can decide to choose you because you share a similar language, religion, or background, and you're not choosing them based on some similarity they have with you.

### **Strategies**

There are other strategies you legally can use under the Fair Housing Act. First, you're usually on safe ground if you focus on a property-related niche instead of a client-related one. A niche marketing plan that's based on any of the following property types is perfectly lawful and can be quite effective:

- Fixer-uppers
- Condominiums
- Single-family homes
- Resort housing
- Properties in foreclosure
- Environment-friendly buildings
- Golf course communities
- Homes on the historic register

Second, you can focus on individuals' specific needs that are not covered by fair housing: relocation, interest in living near particular hobby or sports offerings, and level of understanding about the buying and selling process. It's perfectly lawful, for example, to market to first-time buyers so long as you don't make assumptions about the likelihood of any group—such as recent Hispanic or Asian immigrants—being first-timers.

So, you see, it's possible to follow the advice of the marketing gurus and target a niche without violating the Fair Housing Act. But be inclusive in your marketing, allowing prospective clients to choose whether they want you to represent them. As for the questions not yet answered by HUD or the courts, play it safe and abide by clear-cut rules. The National Association of REALTORS® Legal Affairs department will keep you posted on new information as it becomes available. Go to [www.realtor.org/law-and-ethics](http://www.realtor.org/law-and-ethics).

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## Practitioner Perspective: Five Marketing Strategies for the 50+ Market

My experience has been that mature clients have a sense of respect and loyalty. If you build trust with them they will stay with you. But you can't just put something in the newspaper, on a billboard, or on a bench. It has to be personal and face-to-face.



*"My experience has been that mature clients have a sense of respect and loyalty. If you build trust with them they will stay with you."*

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Littleton, North Carolina  
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### **Phone Calls—Use the F.O.R.D. Model**

If you have a database of mature clients, they like it if you touch them in a personal way. When you check on your clients on a regular basis it helps you build a trusting relationship. I start with a simple greeting, just "Hi, this is Mark Given." The next step is to look for common ground and I use the FORD model. It may be hard to talk about occupation when they are retired or dreams when you don't know them well. But you could ask what they are doing for a holiday, or how their family or grandchildren are doing. Next, I state the purpose of my call, which can be personal or professional. With folks I know well I might say, "I was just thinking about you." or "I was just calling to check on you." Then I try to end on common ground. I try to be off the phone in 2–3 minutes so that I'm not taking up too much of their time, but with some clients, let's face it, they have a lot of time. Spend time every day or every week to make these spheres-of-influence calls. You only need about 50 people to build your business; it doesn't take that much time to stay in touch with those 50 people every month. Most important—no cold calls.

### **Drop-Bys—Be in the Flow**

People will work with people they know, like, and trust, but the next step is people they are in the flow with. Phone calls are not enough. You need to be in the flow with people. So, about once a quarter I make a personal visit. I always call ahead of time. My simple script is, "Hey, this is Mark, I'm going to be in your direction tomorrow and I'd like to stop by and see you around 10 o'clock if that's okay with you." When I drop in, I have to be prepared, even if I'm only staying for 15 minutes, to eat the cookies; the folks who care about you will have something to share. It's important for me to also have something to share; I like to take Hershey's Kisses. Sometimes if the client has leaves that need to be raked or grass cut, I'll send one of my children over to take care of it. My kids are so used to doing that now that they have really come to love helping out mature folks. The kindness that you share is always well received.

I also take MLS sheets for properties in the vicinity because mature clients always like to know what's going on in their neighborhood with property values. The MLS sheets give me a chance to talk about that even if they don't plan to sell for a long time. If I can drop by once a quarter for 15 minutes, it's a simple way to market and I certainly don't have to spend a lot of money on newspaper advertising when I'm engaging prospects personally. Like phone calls, you don't have to visit thousands of people.

***Direct Mail—It's Still Effective for Mature Clients***

I know a lot of real estate professionals who have stopped doing direct mail marketing because they think it isn't effective. But it has always been effective for me. Mailing pieces to mature clients really work because they look at them, read them, and often don't throw them away. I removed someone from my database one time and when I ran into her several months later she said—"I'm not getting your cards anymore." It was amazing. After a long time of contacts that didn't go anywhere, I took her off the database, but she appreciated those postcards and expected them every month. As long as you provide relevant, interesting information—community news, recipes, trends, a football schedule, market information—mature clients will be willing to engage with you.

***Internet—Make Your Website an Information Source***

If you want to engage mature clients online, provide valuable information such as on safety, medical news, aging in place, or a community calendar. You could link to facilities in your area that design and build for mature clients—places they can move to when they sell their home. Think about your grandparents and the things that would interest them. With boomers, I might think of what would interest my cousins. If your website becomes a gateway to relevant information, you become the expert.

***Networking—Go Where They Go or Bring the Party to Them***

If you haven't built up your mature-adult business yet, here's what I would suggest—go where they go or bring the party to them. It can be anywhere they go on a regular basis like a mall where people walk during cold weather. We have a local fast-food outlet that serves free coffee for seniors every morning from 6:00 to 6:30 a.m. Ninety percent of the people are there not just to get free coffee but to socialize. You could go there too. You don't want to go and say, "Do you know anybody who wants to sell or buy real estate?" Just show up on a regular basis with your name tag on. If they become friends with you, they're going to start asking you about the market. Then you can start building a database of folks by just inviting them to receive your newsletter or emailing them some information and letting them know about your website. And that can lead to direct mail, phone calls, and drop-bys.

Local speaking engagements have been a success for me. If you can get up the gumption for public speaking, there are many organizations that are always looking for speakers with good information. I went to the local chamber of commerce and asked for a list of organizations that have regular meetings; then I sent out a notice to let them know I was a local real estate professional and available to speak. I just gave a market update at a local senior center. About twice a year I get in front of 40–50 mature clients at this senior center and I've gained a lot of business from it because I'm seen as a trusted real estate advisor.

***Building Referrals—Give Them Something (Good) to Talk About***

I've learned that mature clients socialize a lot—they are active and engage in activities with friends. When clients talk to each other, in particular mature clients, you have to make sure they have good stuff to say about you. If you are engaged in all these ways—by phone, mail, face-to-face, and online—you will be there when they are ready to make a move.

## Your Value Proposition

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What does your marketing say about you as a real estate professional, your specialty, the services you provide, and how you conduct your business?<sup>24</sup>

- **Value proposition:** Identify the qualities that distinguish you from your competition and express these qualities in terms of customer services and value added by your distinctive qualities. This is your value proposition and promise of customer service.
- **Repetition:** Use this value proposition in all of your marketing materials, website, advertising, and signage.
- **Logo and tagline:** Graphic elements, such as a logo or signature color, and a memorable tagline stick in a consumer's mind. Use the same photos on all of your promotional materials.
- **Consistency:** Some make the mistake of tinkering with a personal brand if they think that results are too slow. This confuses the consumer. Give it time. Developing a personal brand is a long process.
- **Commitment:** You must be passionate about your personal brand, because creating and sustaining it will take a lot of energy.
- **Authenticity:** Because your personal brand expresses your personal values, way of doing business, and expertise, authenticity matters the most. Your personal brand may remain with you throughout your career; it should become second nature.
- **Congruence:** Your personal brand should be congruent with your broker; a personal brand that says "luxury property" is a difficult fit if your firm promotes discount services.

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<sup>24</sup> Adapted from *Resort and Second Home Markets*, National Association of REALTORS®.

This image shows a blank sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

I-Note: **DIVIDE** the class into groups of 5–7 students each. **PROVIDE** each group with a flip chart, markers, and tape. **ASSIGN** each group one of the following groups: boomer seller, boomer buyer, mature seller, mature buyer.

**INSTRUCT** the groups to answer the marketing questionnaire based on the assigned group and record their responses on the flip chart pages.

**ALLOW** about 15–20 minutes to complete the task and affix the pages to the classroom walls. **SUGGEST** students take a “field trip” around the room.

**INVITE** students to move around the room in order to view the pages and write down any ideas that they like.

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## Exercise: Market Outreach

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Your instructor will divide the class into groups and assign each group one of the following groups: boomer seller, boomer buyer, mature seller, mature buyer. Write the title of your assigned group at the top of the provided flip chart page. Answer the marketing questionnaire based on the assigned group and record your responses on the flip chart pages.

### Marketing Questionnaire

- Who is your market? Boomer buyer or seller? Mature buyer or seller?
- What are they currently buying or selling?
- What do they like to do? What are they involved in? Where do they live, work, and play?
- What marketing efforts will be visible where they live, work, and play? Billboards? Bulletin boards? Flyers?
- What events would they be interested in knowing about or participating in?
- What type of information would be of interest and helpful to them?
- What magazines, newspapers, websites and other media are they reading or listening to?
- Do you have a presence in these media?
- How do they use the Internet?
- Who do they rely on for advice and business contacts and how could you connect with these people?
- What services do you offer that meet these specific needs?
- What are your market’s special needs?
- What services could you offer that meet these specific needs?
- Based on the answers to this questionnaire, what marketing activities could be used to generate leads?
- What items and products might they like to receive by mail or in person?



## **Seminars and Presentations**

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Mature, retired adults tend to have a lot of time available for and interest in attending events and educational seminars. Presenting a seminar for clients in the 50+ age group is a great way to build your visibility as a real estate professional and a designee—a Seniors Real Estate Specialist®. A seminar begins the process of building a relationship without making a commitment. Attendees get an opportunity to get acquainted with you and check you out. Presenters have an opportunity to demonstrate their professionalism and sensitivity to 50+ needs and interests.



*Presenting a seminar enhances your reputation as a real estate professional and also provides an opportunity for attendees to check you out without making a commitment.*

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### ■ **Creating a program opportunity**

Senior centers, communities, civic groups, community colleges, and service organizations, to name a few, are always looking for programming ideas and interesting speakers. Creating a program opportunity could be as simple as contacting the organization's leadership or administration and offering to make a presentation on a real estate topic. But you don't have to wait to be invited as a guest speaker: you can schedule your own seminar.

### ■ **Scheduling**

Schedule the seminar during the daytime; midmorning, around 10 a.m., is usually best. Remember, many older people cannot or do not like to drive after dark. An early evening time frame may be okay if the attendees do not have to drive to reach the location, such as a clubhouse or community center.

Be sure to have a schedule established for a limited number of speakers. Each speaker should be able to present their portion in 15–30-minute increments; a maximum one-hour time-frame is best. Leave time at the end for attendees to ask questions and gain additional information from the presenters.

### ■ **Publicity**

Start publicizing the seminar about 6–8 weeks in advance. Take advantage of free space in media, community bulletin boards, church bulletins, senior center bulletin boards, public service

announcements, and community newsletters. In addition to inviting the club or community group members, ask permission to invite prospects on your own contact list and encourage other presenters to invite prospects from their contact lists. Invite attendees to bring a friend.

■ **Location, location, location**

The presentation environment should not be sales focused; therefore holding the seminar in a real estate office is usually not a good idea. Instead, choose a neutral, non-sales location, such as a community center, a public library, or a community room. Look for a convenient location with ample parking (and access to public transportation in metro areas) and easy entrance with minimal stair climbing. When picking a date, check if there are any other community events scheduled concurrently. If your market area includes a large number of “snowbirds,” choose a time period when they are in residence.

■ **Attendance incentives**

Think of attendance incentives in terms of encouraging or removing barriers to attendance. What will attendees value? Items that encourage attendance could include prize drawings, refreshments, credits toward services, dollars-off coupons on partners’ products or services, or a free CMA. What barriers might prevent attendance? Items that remove barriers to attendance could include free or validated parking, a convenient location where likely attendees gather anyway, a free breakfast or lunch, or an open invitation to bring a friend.

If you are looking to build a future database, have the attendees fill out a card with a few questions and an offer to win a gift certificate, such as \$25 at a local grocery store or pharmacy.

■ **Working with sponsors**

Sponsors want to reach the same audience that you do and usually for the same reasons—to gain customers. Sponsors help by sharing costs, providing expertise as presenters, lending credibility, and offering promotion assistance. Some sponsors, such as community groups, faith based institutions, and senior centers, can offer a built-in audience and you could gain a reputation as a knowledgeable and trusted real estate advisor for the sponsor.

A good approach to asking for a sponsor’s support is to start with your personal contact at the company or organization. If you don’t have a personal contact, consider asking your broker for help—borrow a contact. When you make the call or meet with the person,

you could say, “I’m planning a real estate seminar and I expect 20 to 25 potential clients will be there. Would you like to partner?” The response will likely be a question about what partnering involves so be prepared with specifics such as provide meeting space, make a presentation, help with promotion, offer financial assistance, sponsor refreshments, or provide door prizes. Describe how the sponsor can benefit from partnering with you and reach the target audience. Send a friendly note to confirm the sponsor’s support and specify what they have agreed to do. Be sure to integrate your sponsor’s important deadlines and target dates into your planning timeline.

### ■ **Working with other presenters**

You could ask two or three representatives of your team, such as a lender, attorney, tax specialist, accountant, or financial planner, to make a presentation. Presentations by other professionals enhance your standing as a real estate expert. As a rule of thumb, the number of speakers should not exceed four, including yourself. Work out in advance the order in which presenters will speak and each speaker’s time allotment. On the day of presentation, you can act as the emcee, introducing the other speakers, as well as making a presentation yourself.

Conferring in advance about topics avoids duplication and contradictory information. Ask to see other presenters’ handout material in advance; this will help ensure that the material is appropriate and examples are relevant. Keep in mind what your intent is; for instance, when speaking at a senior community, you wouldn’t want to pair up with a company specializing in “in-home care” as this is antithetical to the purpose for which are speaking. It’s also a good idea to make sure the other presenters understand the distinction between a REALTOR® and a licensed real estate professional as well as the significance of the SRES® designation.

### ■ **Who is the audience?**

Consider who will be in the audience and who needs the information. The target audience could be the adult children of elders. Any of the topics that you would present to elders can be refocused to address adult children. For example, “Helping Your Parents Downsize” or “Is a Reverse Mortgage the Best Choice for your Parents?”

■ **What to talk about**

Think about your target audience's concerns; what problems do they need to solve? For example:

- Winterizing your home
- Easy-maintenance landscaping ideas
- Downsizing strategies to lessen physical burdens
- Snowbirds—preparing your home of a long seasonal absence
- Adapting your home for aging in place
- Strategies and services for staying in your own home
- FAQs on reverse mortgages
- Fears and the emotional impacts of change

It is crucial to establish trust with the target audience. You can do so by stressing to presenters and sponsors that the purpose of the program is to provide information, not do a sales pitch. Audience members will immediately “tune out” if they perceive that a presenter is trying to promote a company's services or products. Assure presenters that their expertise and willingness to provide objective information will speak more loudly and lastingly than any sales pitch and result in future customers.

■ **Follow-up**

On the day of the seminar, offer a sign-in sheet or sign-in cards. Ask for contact information, including an email address; put check-off boxes on the sign-in card for permission to email or call. Use the sign-in cards to draw for door prizes. Offer a coupon for follow-up service, like a free CMA, a consultation on preparing a home to sell, or some other service.

Although the seminar environment should not be sales focused, following up on contacts made at seminars provides an opportunity for you to demonstrate your expertise and offer helpful services. Because attendees have already seen your presentation, and perhaps talked one-on-one, you have accomplished the first step in establishing a relationship.

### Three-Minute Brainstorming Challenge

<b>Topics</b> —What topics would be interesting for mature adults and their families, baby boomers?	<b>Sponsors</b> —What businesses and services want to reach the same prospects?
<b>Presenters</b> —who could you invite to as a presenter?	<b>Give Aways</b> —What information and items would be memorable give aways?
<b>One-Minute Lightning Round: Do's and Don'ts</b> Write one do and one don't—in 10 words or less—for presenting seminars to the 50+ market.	
<b>Do:</b> _____ _____ .	<b>Don't:</b> _____ _____ .

## Social Media Marketing and 50+ Consumers

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The continued growth of social networks opens new possibilities for building relationships. Your first contact with a prospect may be your Facebook page or blog. As a group, social media users over the age of 50 are not the largest group, but they are certainly the fastest growing. According to a study conducted by the Pew Research Center, social media usage among those 65 and older has grown more than 300 percent since 2010 when just 11 percent of adults aged 65 or older used social media.<sup>3</sup>

Older adults use social media to reestablish and maintain contacts with friends and coworkers, participate in online discussion (particularly discussion of dealing with chronic health conditions), and keeping in touch with the extended family. They use the Internet for all the same social and business reasons as younger people, including researching properties. But today's Internet consumer expects to be in control of the relationship. Marketers term this mindset "permission marketing."

### Permission Marketing

Permission marketing is based on the concept of consumers opting into the marketing process. Essentially, consumers give a company permission to send them messages in return for something of value like information or the chance to win prizes. As the relationship evolves over time, trust is established and consumer behavior changes; they permit the company to sell them something. From a real estate marketing perspective, permission marketing may take the form of prospects signing up for a monthly e-newsletter, subscribing to a blog, or providing contact information in return for a free market report.

Web-enabled consumers know the value of their personal information—name, address, phone, email, and property preferences—and maintaining anonymity keeps it in their control. They want access to information without encountering obstacles or divulging personal information. Consumers may perceive attempts to obtain personal information too soon as pushy. They will divulge information only if and when they are ready to make contact.

### Your Digital Presence

When you Google your own name, what comes up? The proliferation of social networks like Facebook blurs the line between business and personal online presence. Some branding specialists recommend maintaining only one Facebook page and only for business. In addition to publicizing listings and buyer services, make your website a 50+ resource site.

When someone enters your site, do they know that you focus on the senior market? What does your website say? What information does it offer? Post articles about senior issues written by you, information about topics of interest (such as information about the uses of reverse mortgages, etc.), and add links to other websites such as community elder services or local pharmacies that participate in the Medicare drug plans. Be sure to obtain permission to link to other sites and check these links from time to time, about every 4–6 weeks, to make sure the links are still valid. Some other ideas are:



*Make your website a portal for information about the community. Provide links to elder services like Medicare drug plans and downsizing services.*

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- List your special services to assist mature adult buyers.
- Post a call to action—“call me for information about.”
- Post photographs of events and parties and send an email to your contact list with a link to the photos.
- Include your website address and a link in all email communications.
- Feature a “building or service of the month.”
- Post explanations of the Housing for Older Persons Act.
- Post lists of stores, restaurants, entertainment venues, and services that offer senior discounts.



### Discussion Question

What features would make a website, Facebook page, or blog attractive for the 50+ market?

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● SRES® Marketing Support ● Exclusively for SRES® Designees ●  
at [www.seniorsrealestate.com](http://www.seniorsrealestate.com)

Insert Your Information Here



The SRES® Designation became an official member of the NATIONAL ASSOCIATION OF REALTORS® in June 2007. The Designation was originally developed 10 years ago to focus on the needs of home buyers and sellers aged 50 and over.

The mission of the SRES® Council is to provide member advocacy by providing high quality training and tools necessary to position the SRES® Designee as the trusted real estate resource for the 50+ market. Currently, there is an elite group of over 14,000 SRES® Designees.

SRES® is where the future takes shape.

**NATIONAL ASSOCIATION OF REALTORS®**  
The Most for Real Estate

**I AM YOUR SRES®**  
When looking for a real estate professional that will respond to your specific, 50+ real estate needs, look for a Seniors Real Estate Specialist Designee.

◀ *Customize this bifold brochure with your contact information.*



**Baby Boomers,  
we've been expecting you.**

Whether you're moving closer to your family or closer to relaxation, an SRES® designee will take the extra time to find you the home of your dreams.



**"I'm your Seniors Real Estate Specialist®"**

*Customizable flyer ▶*

**Customizable postcards—4 versions  
in 2 sizes ▼**



**A change of course.**

Whatever you're moving towards, an SRES® designee will find you the home of your dreams.

**SRES®**  
where the future takes shape

**"I'm your Seniors Real Estate Specialist®. I've been expecting you."**

Insert your information/photo here.



**A change of scenery.**

Whatever you're moving towards, an SRES® designee will find you the home of your dreams.

**SRES®**  
where the future takes shape



**A change of pace.**

Whatever you're moving towards, an SRES® designee will find you the home of your dreams.

**SRES®**  
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**Banner ads for your website ▼**



**A change of scenery.**

Whatever you're moving towards, an SRES® designee will find you the home of your dreams.

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The online SRES® Print Shop offers high-quality professionally printed marketing materials at competitive prices. Create and store your own customized flyers, postcards, and brochures online. Professional image enhancement services are available too. Receive an email notification when the print job is shipped via UPS. Go to [www.SeniorsRealEstate.com](http://www.SeniorsRealEstate.com), sign in, and select Marketing Materials, SRES® Print Shop.

## The Next Chapter

In the next chapter, we will look at developing services that win and sustain client and customer relationships. We'll look at adapting your presentation and counseling methods for 50+ buyers and sellers as well as helping clients prepare and stage a property for sale.



## 11. Working with Buyers and Sellers

As we learned in the previous chapters, most in the 50+ age group are currently homeowners and their housing needs and preferences will change as they retire and grow older. As needs and preferences change, many will sell and buy several times. Whether downsizing, pursuing a new lifestyle, or moving to a last home, each of the transitions has different issues and service needs. As 50+ clients move through life phases, the real estate professional has an opportunity to gain a series of sell and buy transactions. How can the real estate professional continue to benefit from this stream of transactions? In the previous chapters we looked at methods for reaching out to prospects and building relationships. In this chapter, we'll look at providing the services and demonstrating the sensitivities that win client loyalty and referrals.

In Chapter 4 we examined the motivations for making a transition as well some of the obstacles that stop older homeowners from making a move. The material that follows will focus mainly on overcoming obstacles because these present some of the most challenging situations for real estate professionals working with mature clients and their families. But it's important to realize that not every 50+ seller or buyer, even those advanced in years, is apprehensive about making a transition.

### **Providing Assurance**

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Thinking back to the discussion of obstacles that keep people from making a move, perhaps the most important thing a real estate professional can do for an apprehensive client is to provide assurance.

- Assure the client, family, and caregiver that whatever the concern or worry, others have faced similar situations, completed the transaction, and made a successful transition.
- Describe how others have solved problems, overcome obstacles, and made a successful transition.
- Provide information on your resource team and the services that are available to assist in the transition.
- Describe your business philosophy and experience as well as your skills and services.

What other ways can you think of to reassure an apprehensive client?

### Case Study: On the Go

Richard and Norma are making the most of their retirement years. Richard plays golf a couple of times a week, builds furniture in his wood working shop, volunteers at a local hospital, delivers meals on wheels, and keeps in touch by email with a large network of friends. Norma enjoys trying new recipes, painting and crafts, tending her herb garden, and socializing with a “Red Hat” group. Together they love to travel, attend theater performances and sporting events, and entertain friends. Their travels include trips to visit family and vacations with the grandchildren at beach resorts and Disneyworld. Their longtime home, near Cleveland, is spacious but also chock-full of a lifetime of accumulated stuff including their children’s childhood memorabilia. Photos documenting family celebrations and accomplishments cover every inch of wall space. Richard and Norma have always dreamed of living in a warm climate and they both agree that a smaller home with fewer maintenance demands would be best; they really want to be able to “lock the door” and leave without worry. They asked their real estate professional, Adele, to talk with them about selling their current home and relocating to an active community in a warmer climate. Norma confided to Adele that sorting through all the stuff and deciding what to move, keep, discard, or give to the kids was almost overwhelming.



What are the issues involved with this case study? Do Richard and Norma seem apprehensive? What could you do to help them make the transition?

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## The FORD Interview

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A distinguishing characteristic that makes your presentation memorable is the way you go about building rapport. Small talk breaks the ice and helps prospects get comfortable as you describe your services and brokerage relationships. If the presentation is made in the client's home, look for visual clues such as photos, awards, paintings, embroidery, a piano, or sports equipment near the door, for clues about their interests. A handy way to remember questions to ask is the acronym FORD. You can ask about:

- **F**amily and friends
- **O**ccupation
- **R**ecreation and hobbies
- **D**reams and goals

It may be insensitive to ask retired or elderly clients about their occupations or dreams, but almost everyone has a favorite pastime. Photos of family and friends and mementos provide potential conversation starters too. Also, how you ask is as important as what you ask.

During the conversation, you can learn important information such as the client's life stage, recent real estate experience, family involvement, and other factors. Concerns with the transaction will surface, which provide an opportunity to describe your services and special skills and knowledge.

### Exercise: FORD Interview

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Your instructor will divide the class into pairs. Working with your assigned partner, take turns interviewing each other using the FORD model. First, one person assumes the role of the prospect and the assigned partner assumes the role of the agent; then switch roles. What are some questions that should be asked during an interview with a mature adult buyer or seller? How could you phrase sensitive questions to demonstrate interest without intrusion?

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### The Big Questions

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The real estate professional may need to ask probing questions and interpret answers to get at the true meaning of statements. For example, the statement “I want a ranch house” may really mean a one-level property with no stairs. A condo in an elevator building may meet this need with the added bonus of none of the upkeep of a single-family home. A statement like “I’m not interested in a senior community” may express a preference to be in a community with people of all ages—children, families, middle-agers, and elders. Specialists report that it is not unusual for a buyer to be “pre-counseled” on the Internet and come to the counseling session with a list of needs, wants, and desired properties. Do not be afraid of suggesting alternatives that might be suitable; the client may not be aware of the options.

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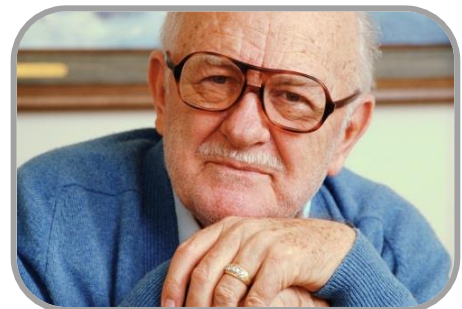
When working with mature adults it may be appropriate to ask questions and raise issues that would not come up with younger clients. For example, if the reason for selling is to enter a nursing home, Medicaid eligibility may be a factor; assisted living or home health care may be a workable alternative. Questions might include:

- Is this an interim or transitional move?
- How does this purchase fit into future plans? Is it a second home that may become a primary home in the future? A transition home to be sold at retirement?
- How do you feel about making this move?
- What are the top 10 things you want, or never want, in a home?
- Are there special needs or property features to consider?
- Will the neighborhood meet your needs for transportation, grocery delivery, meals, and medical?
- Do you do your own housekeeping and gardening?
- What form of communication do you prefer? Phone? E-mail?
- Is there another family member involved in the decision?
- Would you like to know more about the financial options available?
- Do you currently have a reverse mortgage?
- Will the move impact long-term health care coverage?
- In the case of an estate, has the estate been probated?

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### Ask Yourself:

- What are the concerns, priorities, and time frame of these clients?
- Why would the clients do business with me?
- How can I earn and maintain their respect and trust?
- How can I work best with the decision-making processes of the clients, family members, or caregivers to produce a successful transaction?





### Exercise: The Real Meaning

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What questions might you ask to probe the meaning behind these statements and learn more about the client's concerns?

- ▶ My kids want me to rent a senior citizen apartment, but those are full of old people.
- ▶ I want my privacy.
- ▶ I want a house where we can lock the door and go!
- ▶ There are so many memories in this old house—it's hard to leave those behind.
- ▶ My sister-in-law moved into one of those senior communities and she just loves it. It might be right for me.
- ▶ Some stairs are okay, but not too many.
- ▶ What do people do there to keep busy?
- ▶ My wife is really into crafts, so we need a room just for her craft projects.
- ▶ Will that development let my grandchildren stay for a visit?
- ▶ My kids want me to sell this big old house and move to something smaller. What do you think?
- ▶ If my husband was still here, he'd know just what to do. I'm not so sure.

### Understanding Needs and Capabilities

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Specialists attest that it is helpful to profile clients by where they fall on a maturity and activity continuum.<sup>25</sup> Although chronological age provides a clue to an individual's needs and capabilities, it doesn't tell the whole story. As noted in the discussion of understanding how we age (see page 23), functional age—cognition, mobility, impairments, chronic conditions—matters more than the number of years in determining needs, wants, and abilities. Although when a major or sudden life change necessitates a change in living arrangements, the emotional impact can be as debilitating and limiting as a physical illness. The real estate professional must remember that working with the 50+ market, especially the very elderly, requires sensitivity and empathy. You can create your own needs and wants tool based on the checklist on page 61.

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<sup>25</sup> Remember that the Fair Housing Act prohibits discrimination on the basis of handicap; do not try to decide what is appropriate for disabled clients—they should decide.

Develop this checklist for your own market area and use it to find out needs, wants, and priorities as well as activity level.

## **Viewing and Showing Properties**

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### **Viewing Properties**

Realize that elders may not have the physical and mental stamina for a full day of property viewing or a lengthy counseling session. It may be best to schedule several short appointments instead of one long one.

### **Memorabilia Everywhere!**

Mature adults' homes often wind up as repositories for a lifetime of family memorabilia and bric-a-brac. Every item recalls a cherished memory and the senior owner "knows where everything is." But real estate professionals know that a house packed with too much clutter will not show well. A prospective buyer will have a hard time looking past the clutter of all those "memories." What can a real estate professional do?

Tact and patience are essential when advising a senior seller on how to stage the property for showing. The sale of a long-owned home is an unsettling experience on its own without adding the upset of disturbing or removing objects that represent the homeowner's memories. Therefore, it may be necessary to show the home a couple of times in its cluttered state before the owner can see the benefit of packing some things away. You could say, "The house might show better if some things were packed and stored." Or, "Would it be a good idea if we started packing some of your things?" Or, "I'm concerned about your... collection and about breakage when showing the house. Would it be okay to pack some of the collection?"

### **As-Is Properties**

Be aware that "as is" properties can need a lot of repairs. A home that has been lived in for many years may have deferred maintenance issues. The owners may not have the ability, financial resources, or motivation to keep the property up. Or, they may not be aware of or see the need for repairs or maintenance. They are just trying to live out their life in the home without investing any more in it. In some cases, even an as-is property may need repairs before it is ready for sale. A home equity loan to pay for repairs may be a solution; the loan balance can be paid off with

the sale proceeds. If the owners want to stay in the home but lack the money to repair it, a reverse mortgage may be the answer.

### Showing a Property with the Homeowner Present

It may be difficult for an elderly or mobility-impaired homeowner to leave a property for showings. The real estate professional may have to go the extra step of finding a place, like a neighbor, for the homeowner to go during showings. On the other hand, some experienced specialists say that homes can be shown with the homeowner present. A notation in the MLS remarks (such as “seller may be present at time of showing”) alerts other agents that the homeowner may be present when they plan to show the property. The practitioner can reassure the homeowner that the home and their personal property will be safe during showings; it may help if a family member or colleague remains with the elder during the showing to provide emotional support and report progress.

## Sensitivities

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### Patience

When asked about working with mature and elderly clients, experienced real estate professionals say have patience-patience-patience and expect more handholding through the entire process. Decisions can take a long time and lengthen the sales cycle. If an elderly client has a physical condition like short-term memory loss or hearing or vision impairment, it may be necessary to repeat information and divide explanations of complex processes into smaller steps. Matters such as disclosures and inspections can cause a lot of confusion and misunderstanding too. Focus on counseling the client, not selling; a hard sales approach could be perceived as taking advantage of an elderly person even if your advice is the right course of action.

### Empathy

The client may be suffering a great deal of emotional distress, such as grieving the loss of a spouse, friends, or family members, or even a beloved pet. A change in health can impair hearing, eye sight, cognitive ability, or mobility and learning to deal with a sudden loss of ability involves a similar mourning process. Even moving out of a long-owned home can involve a mourning process as personal attachments to people,

places, and things are severed. The loss of a spouse or life companion is particularly devastating. A couple may have bought the house together and spent a lifetime making it their home but now the survivor must sell the house on his or her own. The financial or household decision maker may be gone, leaving the survivor uncertain of what to do or how to accomplish even everyday tasks.

## Communications

What should a real estate professional do when an elderly client calls every day or several times a day? You should respond with patience and remember the Golden Rule. Understand that the elderly client may not have anything else to occupy time and the real estate transaction is likely causing stress and worry. Experienced specialists handle this situation by managing expectations such as setting a date and time for the next phone call to the client. If you will be out of town, change your voice mail message every day so callers know where you are, when you will return, and when you will return phone calls.

On the other hand, keeping in touch with active mature adults who are constantly on the go can present some challenges for the real estate practitioner. Retirees may leave on a spur-of-the-moment trip and not inform the real estate professional that they are leaving or provide contact information. Retirees do not have to worry about scheduling time off from a job. They are free to go when they please and do not feel a sense of urgency about business matters.

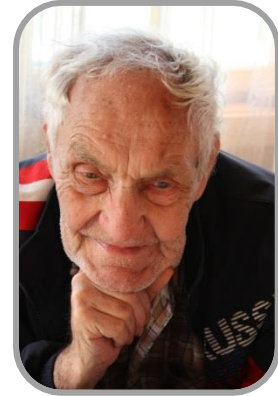
Although attitudes are changing, there are some elders who do not use cell phones, text messaging, voice mail, or email, but it would be wrong to assume this about all. Ask if the client uses email or has a cell phone; be aware that many seniors view cell phones as only for emergency use. Unlike younger users, cell phones are only turned on when the senior wants to make a call. These attitudes will likely change, however, as tech-savvy baby boomers move into retirement years.

Have the seller provide a point of contact who is able to reach them if you are unable to do so. Although rare, you may also consider providing a prepaid cell phone to a client who does not have one so they can call you or receive a call directly from you. Make sure the device is simple to operate, such as one-button play back. Do not call too late in the evening after 9:00 pm; many elders are early to bed and early to rise.

### **Case Study: Gordon and Juanita**

Ten years ago, Gordon and Juanita purchased a one-bedroom condominium in a senior development along Florida's Gulf coastline and settled in to enjoy winters in Florida. A couple of years later, they purchased a second larger condo in the same building with the expectation of flipping it and using the gain to pay off the mortgage on the one-bedroom unit. The second condo is currently listed with a real estate professional. Things have not worked out as they had planned. When Gordon and Juanita purchased the second condo there were only two other units available in the building; now there are 26 units listed, property values have fallen, and it is a buyer's market. Then Juanita passed away suddenly. Now Gordon is left with carrying costs and mortgage payments on three properties, including the family home in Philadelphia, which he would never consider selling. Gordon, in his grief, is confused, lost, and completely distraught and he has been calling his listing agent two or three times a day to ask for advice. Gordon's two daughters, who live in the Philadelphia area, have not been involved in the parents' real estate dealings or financial affairs until now, but they are very supportive of their father and want what is best for him. What are the issues involved in this scenario? If you were Gordon's real estate professional, what would you suggest?

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## Documents

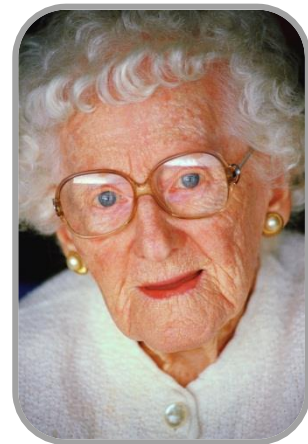
Large-print copies of documents are a great help. Even mature adults without obvious vision problems appreciate documents with large print. A quick way to make a large-print version of a document is a photocopy enlargement; keep a stock of 11x17 paper in your office for photocopying enlargements. The clients can sign the small-print version of documents. If you are working with a couple or family members, prepare extra copies of everything so each person can have a copy. Develop a large-print version of your business card, too. You can also keep a magnifying glass or page-size magnifier handy in your desk and car. A penlight provides extra illumination and can sharpen focus.

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## Low Vision Assistance

Low vision is more common than blindness and less obvious to the observer. Glaucoma, cataracts, and macular degeneration are leading causes of low vision. You can help clients who have low vision by:

- Announcing your presence and identifying who you are
- Describing what you are doing
- Uncluttering the area
- Putting objects back in place if you move something in the home
- Speaking directly to the person, but not yelling as low vision has nothing to do with hearing
- Offering assistance but not insisting
- Providing low-vision aids like a magnifying lens or page magnifier
- Knowing how to be a sighted guide; offer your arm, walk a half-step ahead so your movements can be sensed, and speak up when approaching stairs or curbs. Never grasp or push the person in front of you.



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## Comforts

An office setting that is comfortable for mature adults will also be comfortable and inviting for younger clients and customers. Chairs with arms are easier to stand up from. Low couches and easy chairs can

present problems. Refer back to the universal design standards on page 53 and evaluate your office setting in relation to those principles.

### Closing

Mature clients expect the real estate professional to be present at closing as a support and to explain what is going on. It may be necessary to go the extra step of driving the client to the bank and the closing.

Another option is pre-signing. In most instances, the real estate professional, the seller, and a representative from the title company will meet at the new home of the senior to complete the pre-signing for their property. The seller will then provide the necessary funds via a deposit slip to the closer, a check for the real estate professional to deliver, or wired means. Providing this option enables your senior client the ability to avoid traffic and other obstacles the day of closing.

Senior specialists say that this little bit of extra service may mean the difference in keeping the client, because the future business is lost if the practitioner is not at the closing.

### Involving Family Members

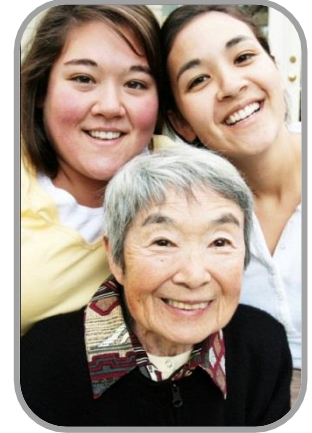
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Involving family members or “like family” can be a big help for both the client and the real estate professional, especially when a client’s physical and cognitive capabilities are weakened. A family member can interpret information, locate and keep important documents, meet deadlines, confirm appointments, and help the elder through the transition. Refer back to the earlier discussion of handling confidential information (page 140) and power of attorney (page 142). Remember that the real estate professional must obtain permission from the client before sharing confidential information, even with family members, and should verify that family members have authority to make decisions.

If other family members are involved in decision making, it is important to build relationships with them, too. Include family members in discussions and decisions if appropriate and if the client wants to include them. If children are located in another city, schedule a conference call with them and the elder parent. You can make them part of the team that is able to communicate and help elders make decisions and take actions. With the client’s permission, help family members by having extra copies of documents available.

## Staying Out of Family Conflicts

When an elder's property is involved in a transaction, specialists report that adult children often make the first contact with the real estate professional to request a CMA or view properties. Of course in many cases the adult child is acting with the knowledge and consent of the elderly parent. In other situations, this initial contact can signal the beginning of an entanglement in a difficult family situation.



*Adult children often make the first contact with the real estate professional.*

It's important to realize that even with the best of intentions, family members can have different goals. For example, an elderly homeowner may be most concerned about maintaining independence and privacy while the children are concerned about the parent's safety. Family members react differently too. A mature homeowner may be looking forward to freedom from home maintenance, but the children resist the sale of a family home because it breaks an emotional link to cherished childhood memories. When one sibling takes the lead, old rivalries can resurface. In all of these instances, the signals may be quite subtle and unspoken.

What should the real estate professional do to provide services without being drawn into family business?

- **Stay focused on the transaction and the client**

It is important to be aware of sensitivities, but remember that it is a business transaction. Keep interactions with the senior and family members on a professional basis by explaining the transaction process and managing expectations. Be prepared for closing delays if families are working through conflicts.

- **Be professionally friendly**

It is easy to be drawn in with elders who need emotional support or someone to talk to. The extent of the relationship may be greater with an elderly person than with younger and more active individuals. Be professionally friendly, but not the best friend. Also, be careful when accepting gifts from elderly clients; it may be perceived by the families as "taking what is rightfully theirs."



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**Case Study: A New Home for Dad**

Raymond, an elderly father of three sons, owned a house and an adjoining property next to a growing subdivision. After suffering a bad fall at home he agreed with his three sons that it would be better to live closer to one of them. They asked a broker to list the properties. A builder made an offer of an amount of cash plus construction of a new home for Raymond on the oldest son's land in trade for the father's properties. It seemed like a good solution; Raymond would live next door to the oldest son in a new home. However, a family squabble arose when the two younger brothers realized that the older brother's property value would be increased by the construction of the new home. Now, the younger brothers are putting pressure on their father to stall the deal because they see the older brother benefiting more. The oldest brother has stated that he does not expect to get anything out of the deal and besides he is the one who has always taken responsibility for looking after their father. Raymond is suffering from the stress of conflict between his sons. He thinks the solution might be to just sell his property and move into a senior-living apartment. In the last voice mail message left with the broker, the builder said he needs an answer soon or the offer is off the table. What are the issues involved in this situation? How would you handle the situation?

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## Recognizing Elder Abuse and Neglect

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Elder abuse and neglect is a sad reality. The National Center on Elder Abuse ([www.ncea.aoa.gov](http://www.ncea.aoa.gov)) estimates that up to two million elderly persons are victims of abuse, neglect, exploitation, or mistreatment by someone, such as a caregiver, spouse, partner, or an adult child. For every case of reported abuse, about five more cases go unreported. The abuse, which usually happens in the home, can be physical, emotional, or psychological harm, neglect (intentional or unintentional), or financial exploitation. Warning signs are:

- Threats of force, exposure to weather, inappropriate use of drugs, food deprivation, abandonment
- Verbal or nonverbal acts that inflict mental pain, fear, anguish, breaking or stealing treasured objects, ignoring the elder, humiliation
- Inadequate water, delayed medical treatment, lack of assistance with eating, not attending to personal cleanliness needs
- Withholding basic emotional support, respect, or love, ignoring calls for help, lack of assistance in helping the elder do things he or she likes and requests to do
- Self-neglect, ignoring personal hygiene, oblivious to weather, compulsive hoarding
- Sexual contact without the elder's consent
- Financial exploitation, taking, misuse, or concealment of funds, property, or assets
- Health care fraud, under medicating, overcharging, kickbacks for referrals, or substituting less expensive medications
- Strained or tense relationships, frequent arguments between the caregiver and elderly person
- Sudden changes in behavior or financial situation, injuries, and bruising

If you suspect abuse, report it to the appropriate authority.

HelpGuide.org ([www.helpguide.org](http://www.helpguide.org)) provides a detailed listing of elder abuse warning signs. Print out the list of warning signs and put it away in the trunk of your car or an office file, along with the elder abuse hotline numbers in your state (all states have a reporting agency for domestic or institutional abuse) or area. You will have an easy reference when your eyes, ears, or instincts tell you that something does not seem right.

### Schemes and Scams

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Perpetrators of scams and high-pressure sales operations often target the vulnerable elderly. Real estate professionals can help by staying alert for scams and speaking up when they suspect that seniors are at risk.

#### ■ **Cash As-Is**

Seniors may receive a cash as-is offer from an investor. Many times, these types of investors will offer around 30 cents on the dollar of a given property value. While it may be tempting for the seller to accept an all-cash offer, in many cases, this will not be the best option available.

#### ■ **Deed Scams**

Seniors whose properties are owned free and clear may be susceptible to a form of deed scam. A fraudulent deed is filed and the home is sold without the senior owner's knowledge.

#### ■ **Cons**

A con artist may try to persuade a senior to withdraw money from an account in order to prove that a bank teller is stealing money from depositors. Another scam involves asking for bank account numbers and personal information by phone in order to "verify" information.

#### ■ **High-Pressure Sales**

Boiler-room operations that sell living trusts frequently target the elderly. The purchaser pays several hundred dollars or more for a package of preprinted forms. High-pressure sales of home refinancing charge hefty service fees for unnecessary home loans.

#### ■ **Phony Home Repairs**

Con artists often appear after natural disasters like hurricanes. They pose as contractors and offer home repairs at "bargain" rates. The repairs are poor quality or never finished and the contractors disappear with money paid in advance.

#### ■ **Identity Theft**

Elders are particularly vulnerable to identity theft. A real estate professional could help by offering to shred discarded documents that could reveal personal information and informing clients of toll-free numbers for opting out of prescreened credit offers.

#### ■ **Fraudulent Mortgage Notices**

A sales pitch for refinancing or other products masquerades as an official document stating "call for important information about your mortgage payment." Another scheme is a phony "official notice" that a mortgage has been transferred and future payments should be sent to a fraudulent "lender" at a new address.

## Data Security Planning

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Real estate professionals often collect a lot of personal information about clients and customers in the course of finding the right home. In this age of digital recordkeeping, your office policies should include standards and procedures for collecting, sharing, destroying, and protecting customer and client information. The Federal Trade Commission recommends five key principles for a sound data security program:

1. Take stock: know what personal information is in office files and computers and who has access.
2. Scale down: keep only what is needed for business.
3. Pitch it: properly dispose of information that is no longer needed.
4. Lock it: protect the information that is kept.
5. Plan ahead: create a plan to respond to security breaches.

NAR offers a free *Data Security and Privacy Toolkit* to educate real estate agents and brokers, associations, and MLSs about data security issues. Download a copy at [www.Realtor.org/law-and-ethics/nars-data-security-and-privacy-toolkit](http://www.Realtor.org/law-and-ethics/nars-data-security-and-privacy-toolkit).

## Emotional Impact on the Real Estate Professional

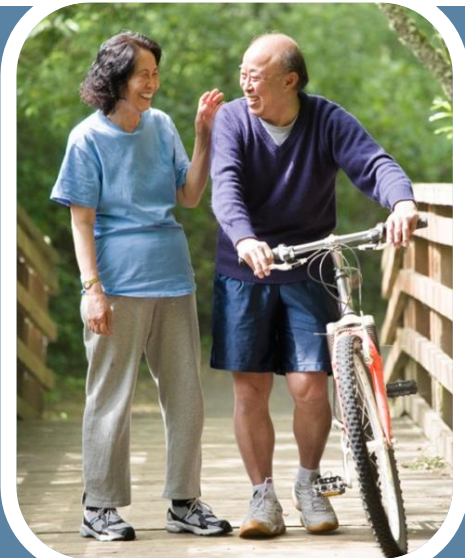
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Specialists sometimes find that they have become “best friends” for the elderly clients who rely on them for advice. Numerous phone calls for a variety of reasons can draw the real estate professional into personal involvement. If a senior is not in touch with family, the real estate professional may be the only dependable person they know. Extra care is needed to balance customer service with agency obligations if the elder is not the client; elderly buyers and sellers almost always think of the real estate professional as “their agent” regardless of the agency relationship. Protective instincts can lead to treating the elderly like children. Specialists warn that when this happens personal involvement is beyond the bounds of a business transaction.

## The Next Chapter

In this chapter, we looked at issues and challenges involved in working with buyers and sellers in the 50+ market, particularly the elderly. Often the solution to the challenges is tapping into specialized services and expertise. The specialist who can help clients find solutions to the

challenges involved in life transitions wins the gratitude and loyalty of clients and their families and the referrals that yield a stream of future business. In the next chapter, we will look at building your team and resource bank.



## 12. Building a Team and Resource Bank

## **Building Your Team**

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Access to a team of experts who can provide expert advice is a valuable asset for real estate professionals who want to specialize in the mature adult market. Not only do you and your clients have access to valuable knowledge and services, other professionals may refer business to you. It's a fact that one of the best ways to extend your own network is to become part of others' networks. Social networks like Facebook and LinkedIn make it easier than ever to maintain and grow network connections. As mentioned in previous chapters, your older clients may not use social media, but younger family members probably do. In this chapter, we'll look at the other professionals you may need on your team including some services that may be new to you. We'll also look at how to select team members who are sensitive to working with mature adults and in sync with your service philosophy.

### **Who Should Be on Your Team**

The team should include experts who provide solutions to the challenges and issues involved in making a major life transition and aging. Some roles are obvious—like an elder attorney, housekeepers, or meals on wheels. But others involve services that are perhaps not as well known, like pet placement, art and antique appraisal, or senior concierge, to practitioners who do not specialize in the 50+ market. A checklist of possible team members appears on page 198.

### **Vetting Potential Team Members**

Team members should share your mindset and sensitivities toward providing services for mature adult clients. Some specialists recommend personal interviews with potential team members to gain a sense of their helpfulness and respect for mature adults.

### **Look Around Your Community**

Spend time learning about what your community has to offer. Use the checklist on page 198 to help research services. Specialists advise that you keep an open mind, especially if you are not a mature adult yourself, and look at your community through the eyes of an older person.

## The Seniors Real Estate Specialist® Team

### Property

- Termite inspector
- Painter
- Landscaper and gardener
- Pool service
- Snow removal
- Home inspection
- Emergency board-up
- Disaster preparation and recovery
- Mover
- Handyman
- Electrician
- House sitter
- Certified Aging in Place Specialist (CAPS)
- Clutter reduction expert
- Interior decorator
- Interior staging specialist
- Storage facilities
- Housekeeping service
- Charities that accept donations of furniture, clothing, and household items
- Home warranty service

### Legal and Financial

- Elder law attorney (wills, trusts, estates)
- CPA or money manager
- Financial planner, expert on pensions, IRAs, 401(k) accounts, etc.
- Estate liquidator
- Escrow company
- Title company
- 1031 exchange specialist (qualified intermediary)
- Tax specialist
- Reverse mortgage lender
- Reverse mortgage counselor
- Insurance agent
- Document shredding

### Personal

- Home healthcare agency
- Community service contacts
- Transitional services contact/coach
- Grief counselor
- Elder abuse resources
- Ombudsmen
- Hospitals and clinics
- Public benefits offices
- Health care facilities and levels of care
- Community resources
- Meals on wheels
- PACE program
- Veterinarian for pet care
- Pet boarding
- Dog walker
- Pet adoption
- Auto repair and donations
- Transportation services
- Volunteer opportunities and services
- Estate sale organizer
- Art and antique appraiser



### More Services

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#### ■ **Senior moving managers**

These professionals specialize in assisting older adults and their families with the emotional and physical aspects of relocation. For information and a moving manager locator go to the National Association of Senior Move Managers at [www.nasmm.org](http://www.nasmm.org).

#### ■ **Senior concierge services**

These service providers help mature adults maintain independence by offering a range of nonmedical personal assistance from running errands, transportation to medical appointments, to participation in recreational activities. Some offer transitional services to facilitate the move between treatment and care facilities. Search the web for elder concierge services in your area.

#### ■ **Junk removal**

When accumulation or hoarding has overwhelmed a property or homeowner a junk removal specialist may be the answer. These service providers specialize in junk removal from properties like homes, garages, and storage lockers. Some also remove junk autos. Search the Web for junk removal specialists in your area.

#### ■ **Pet placement**

Pet placement services specialize in rehoming pets, including senior dogs and cats, and can help a pet owner through the difficult decision to euthanize an ill dog or cat. Search on the Internet for pet placement services.

#### ■ **Foster care**

Adult foster homes are private homes with family-style living, offering room, board, and round-the-clock physical care.

#### ■ **Adult day care**

Adult day care centers provide social and some health services for adults who need supervised care in a safe place outside the home during the day. They can also afford a respite for caregivers. For information on services visit the National Adult Day Services Association website at [www.nadsa.org](http://www.nadsa.org).

#### ■ **Driver rehab**

Occupational therapists who specialize in driver education can assist in restoring driving skills and evaluating the road-worthiness of elder drivers. Go to the website for the American Occupational Therapy Association at [www.aota.org/older-driver](http://www.aota.org/older-driver) or the National Older Driver Research and Training Center at <http://driving.phhp.ufl.edu>.

■ **Medical equipment loan**

These community-based services loan basic medical equipment such as wheelchairs, walkers, crutches, canes and bathroom safety items. Search on the web for the closest medical equipment loan service.

■ **Volunteer matching**

Volunteer match services connect people who want to offer their time and talent with organizations who need assistance. Go to Volunteer Match at [www.volunteermatch.org](http://www.volunteermatch.org) or search the Web for local volunteer matching services.

■ **Energy and utility assistance**

Many communities offer utility payment assistance for low-income seniors. Search the web for senior utility assistance.

■ **Bill payment and check book balancing**

Many community-based organizations and senior centers offer this service.

■ **Senior dating and companion match-up**

A search on the Web for senior dating provides a long list of services that specialize in matching up seniors for companionship, travel partners, or romance. Some of the largest services are AgeMatch.com, SeniorFriendFinder.com, and SeniorMatch.com.

■ **Employment services for older workers**

These services specialize in matching older workers with job opportunities and help employers tap the over-50 talent pool. Go to RetiredBrains.com or SeniorJobBank.org.

## Finding an Elder Law Attorney

All state bar associations maintain websites through which attorneys may be located. Go to the website for your state; find the website by typing [state] bar association in the browser's search bar. Look for specialists in particular areas such as senior, elder, living will, advance directives, durable power of attorney, or estate planning.



## Organizing a Resource File

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Start compiling an information file of resources and services. This file can be a marketing distinction and an offer an edge on your competition. Use the following suggestions on categories of resources to start researching and building your customized resource bank.

- **Active adult developments:** develop an information sheet for each facility with amenities, range of housing options, age restrictions, association fees, homeowners association contact, building manager, and association rules.
- **Senior apartments, congregate living, and care facilities:** consider developing a summary sheet for each facility. Include notes on contacts, levels of care, costs, range of housing options, availability of short-term stays, age restrictions, and other information.
- **Health facilities, hospitals, clinics, and rehabilitation facilities:** list of facilities with phone numbers and addresses.
- **Home health care:** contacts for hiring home health care workers.
- **Specialists:** list of area specialists in cardiology, ophthalmology, gerontology, rheumatology, orthopedics, neurology, chiropractic, and other specialties.
- **Personal care:** hair stylists and manicurists who provide in-home service.
- **Medicare drug plan participating pharmacies:** contacts for local participating pharmacies.
- **Cultural and entertainment venues:** theaters, cinemas, concert venues, art galleries, and museums.
- **Libraries and bookstores:** reading clubs, discussion groups.
- **Houses of worship:** list of churches, temples, mosques, and clergy contacts.
- **Educational opportunities:** senior-friendly learning environments, community colleges, university extensions, lifelong-learner programs.
- **Aging-support organizations:** local offices that provide support services for elderly.
- **Magazines and newsletters:** sample copies of magazines and newsletters targeted to senior readers.
- **Travel clubs:** travel agents that specialize in senior travel—group travel is an excellent way for seniors to get acquainted and make friends.

- **Banks, mortgage lenders, and mortgage counselors:** information on financial and lending institutions, reverse mortgage lenders, and counseling services.
- **Volunteer opportunities:** information on volunteer involvement opportunities.
- **Employment (paid) opportunities:** information on area employers who hire seniors.
- **Clubs and hobby groups:** activities for seniors to enjoy on their own and with younger family members.
- **Advocacy groups:** environmental, political, and issue-oriented groups.
- **Support groups:** support for the bereaved, caregivers, and others.
- **Community events:** information on community special events, observances, and annual events.
- **Restaurants:** restaurants that offer senior hours, prices, and portions as well as easy access and comfortable seating and atmosphere.
- **Supermarkets and pharmacies with delivery services:** include retail outlets that offer senior discounts and services.
- **Auto care:** car dealerships, repair garages, and tow service.
- **Trends:** information organized by dates or headings such as local and national issues.

## Making Prudent Referrals to Experts

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By Nan Roytberg

Past Associate Counsel, National Association of REALTORS®

You're an expert on real estate. But you can't be an expert on every aspect of real estate. You can't know whether there's mold behind the walls, whether the roof will last another ten years, whether the well water is potable. And trying to finesse these questions will quickly get you in big trouble, legal trouble. So just as discretion is the better part of valor, so too is knowing when to say, "I don't know, but I can give you the names of some experts" is an important part of avoiding legal liability. You also can't do everything your buyer wants and needs. And as much as you may want to go the extra mile to complete the sale, you can't promise to paint the house, renovate the kitchen, repair the furnace and provide financing. You can, however, help your buyer find the right people to take on those jobs.

Buyers often expect that you'll know who to contact to get certain services, and it's always nice to anticipate their needs by having a written referral list of experts they may need, such as:

- Lenders
- Home inspectors, both general and those who specialize in lead-based paint, radon, termites, mold
- Structural engineers
- Painters, plumbers, electricians and carpenters
- Attorneys
- Insurance providers
- Cleaning services

However, you need to make sure that the people and companies on your list are reputable, so that your referrals don't come

back to haunt you through buyer dissatisfaction or, even worse, a lawsuit.

One way a licensee can land in court is to recommend only one expert in a specific field who does an inadequate job. In 2000, a brokerage that represented buyers in Kentucky was sued when the pest control company it had recommended failed to perform satisfactorily. The buyers engaged a particular pest control company, on the recommendation of the broker, to inspect and treat the property for termites prior to the sale. After the closing, the buyers discovered that their home was still infested with termites. They sued everyone involved in the transaction, including the brokerage that represented them and, of course, the pest control company. Fortunately, the broker had protected itself by recommending two other pest control companies to the buyers. The Kentucky appellate court thus affirmed the decision of the trial court that the brokerage's recommendation did not constitute a guarantee of performance. The court held that the buyer brokerage was not liable for the pest control company's failure to provide satisfactory services.

So when making any recommendation, your standard procedure should be to include contact information for at least three suggested experts for each category on your referral list, being careful not to recommend any one expert over the others. Still, you need to go further. Putting three names on a list is not enough to keep you out of trouble. Take the time to find the right names to put on your list. In other words, include only those experts with whom you have had good experiences yourself or who come highly recommended by others you trust.

You should also cover yourself a bit more by placing a clear, conspicuous statement on your

referral information that says you are providing the list merely as a service to your buyers. Disclaim liability further by stating on the list that neither you nor your firm is responsible for any referred expert's availability, reliability or performance. Also include a statement attesting to the fact that you do not receive any referral fees or other compensation from the experts on the list. Any lawful affiliations you or your firm may have with any of the suggested individuals or companies need to be disclosed as well.

These are the basics that you should do, but there are some things—things that your buyer-clients might want or expect you to do to help them get that house ready—that you should not do. In a case the California Court of Appeals heard just last year, a home inspector identified a number of repairs for a particular property, including the replacement of a water heater. The broker, who was a disclosed dual agent, went beyond just referring a handyman to do these repairs. The broker actually selected and retained the handyman, paying him out of the sellers' escrow funds. The handyman replaced the water heater with a natural gas heater instead of one compatible with propane, which was the fuel that fired it. There was a subsequent fire and the buyer's boyfriend suffered lung damage from smoke inhalation. The broker hoped that the "buyer's inspection advisory" and an addendum to the purchase agreement would shield him from liability. The advisory stated that the brokers didn't guarantee the performance of others. The addendum stated that representatives of the broker might provide referrals to "firms dealing in related real estate services such as title insurance, escrow, pest control, geological/physical property inspection, home warranties, etc.," but the use of these firms was at the sole discretion of the buyer and/or seller. The addendum further stated that referrals by the broker did not imply "any specific recommendation, or any warranty of any firm's expertise or professional licensing status." In

this case, however, the court looked beyond the language of the advisory and addendum. The broker had gone beyond making a mere referral to the buyer. The broker had voluntarily undertaken the responsibility to oversee the repairs and had been negligent in such oversight by failing to ensure that the handyman understood that a propane water heater was necessary. The appellate court thus reversed summary judgment for the brokers, saying that there was a genuine issue of material fact as to whether their involvement established a duty of care beyond the exculpatory clauses (clauses intended to shield the broker from legal liability—to make him not culpable—for any negligence on the part of the experts whom the broker referred) in the buyer's inspection advisory and addendum to the purchase contract.

This is perhaps another case of actions speaking louder than words, but it is most certainly a warning: Unless you've been engaged to manage the property, stick to just giving the buyer some good, reliable names. Do more and you may need a referral yourself...a referral for an attorney!

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# Resources

## Websites

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- **Age Match**  
[www.AgeMatch.com](http://www.AgeMatch.com)
- **Age In Place.com**  
<http://ageinplace.com>
- **Aging in Place Technology Watch**  
[www.ageinplacetech.com](http://www.ageinplacetech.com)
- **AARP**  
[www.aarp.org](http://www.aarp.org)
- **American Society on Aging**  
[www.asaging.org](http://www.asaging.org)
- **Caring Transitions**  
[www.caringtransitions.com](http://www.caringtransitions.com)
- **Center for Universal Design**  
<https://www.ncsu.edu/ncsu/design/cud>
- **Certified Aging in Place Specialist (CAPS)**  
National Association of Home Builders  
[www.nahb.org](http://www.nahb.org)
- **Commission on Accreditation of Rehabilitation Facilities—Continuing Care Accreditation Commission**  
[www.carf.org](http://www.carf.org)
- **Eldercare Locator**  
[www.eldercare.gov](http://www.eldercare.gov)
- **Federal Interagency Forum on Aging**  
[www.agingstats.gov](http://www.agingstats.gov)
- **Fall Prevention Center of Excellence**  
[www.homemods.org](http://www.homemods.org)
- **HelpGuide.org**  
[www.helpguide.org](http://www.helpguide.org)
- **HUD National HECM Network**  
[www.HUD.gov](http://www.HUD.gov)
- **Justice in Aging**  
[www.nsclc.org](http://www.nsclc.org)
- **Leading Age**  
[www.leadingage.org](http://www.leadingage.org)
- **National Older Driver Research and Training Center**  
<http://driving.php.ufl.edu>
- **National Adult Day Services Association**  
[www.nadsa.org](http://www.nadsa.org)
- **National Association of Senior Move Managers**  
[www.nasmm.org](http://www.nasmm.org)
- **National Center on Elder Abuse**  
[www.ncea.aoa.gov](http://www.ncea.aoa.gov)
- **HECM Resources**  
<http://www.hecmcounselors.org>
- **HUD FHA Reverse Mortgage for Seniors (HECM)**  
[http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/housing/sfh/hecm/hecmhome](http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/hecm/hecmhome)
- **Money Management International**  
[www.moneymanagement.org](http://www.moneymanagement.org)
- **MetLife Mature Marketing Institute**  
[www.metlife.com/mmi](http://www.metlife.com/mmi)
- **National Aging in Place Council**  
[www.ageinplace.org](http://www.ageinplace.org)



- **National Council on Aging (NCOA)**  
[www.ncoa.org](http://www.ncoa.org)
- **National Foundation for Credit Counseling**  
[www.nfcc.org](http://www.nfcc.org)
- **National Pace Association**  
[www.npaonline.org](http://www.npaonline.org)
- **National Reverse Mortgage Lenders Association**  
[www.reversemortgage.org](http://www.reversemortgage.org)
- **Raising Your Grandchildren**  
[www.raisingyourgrandchildren.com](http://www.raisingyourgrandchildren.com)
- **Retired Brains**  
[www.RetiredBrains.com](http://www.RetiredBrains.com)
- **Reverse Mortgage Guides—Education**  
[www.reversemortgage.org](http://www.reversemortgage.org)
- **Security 1 Lending**  
<https://www.security1.com>
- **Senior Friend Finder**  
[www.SeniorFriendFinder.com](http://www.SeniorFriendFinder.com)
- **Senior Job Bank**  
[www.SeniorJobBank.org](http://www.SeniorJobBank.org)
- **Senior Match**  
[www.SeniorMatch.com](http://www.SeniorMatch.com)
- **Seniors Real Estate Specialist Consumer website**  
[www.sres.org](http://www.sres.org)
- **Senior List**  
[www.theseniorlist.com](http://www.theseniorlist.com)
- **Silver Planet**  
[www.silverplanet.com](http://www.silverplanet.com)
- **U.S. Department of Health and Human Services, Administration on Aging**  
[www.aoa.gov](http://www.aoa.gov)
- **U.S. Census Bureau**  
[www.census.gov](http://www.census.gov)
- **U.S. Department of Health and Human Services, Centers for Medicare and Medicaid Services**  
[www.cms.hhs.gov](http://www.cms.hhs.gov)
- **U.S. Government Accountability Office**  
[www.gao.gov](http://www.gao.gov)
- **U.S. National Institutes of Health, National Institute on Aging**  
[www.nia.nih.gov](http://www.nia.nih.gov)
- **Volunteer Match**  
[www.volunteermatch.org](http://www.volunteermatch.org)
- **Weill Medical College of Cornell University, Environmental Geriatrics**  
[www.environmentalgeriatrics.com](http://www.environmentalgeriatrics.com)

## Publications

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### Magazines

- AARP Magazine  
[www.AARP.org/magazine](http://www.AARP.org/magazine)
- Grand Times Magazine  
[www.grandtimes.com](http://www.grandtimes.com)
- Reminisce Magazine  
[www.reminisce.com](http://www.reminisce.com)
- Trailer Life  
[www.trailerlife.com](http://www.trailerlife.com)
- Senior Citizen Journal  
[www.seniorcitizenjournal.com](http://www.seniorcitizenjournal.com)

### Research

#### ***Beyond 50.05, A Report to the Nation on Livable Communities***

AARP Public Policy Institute, [www.aarp.org](http://www.aarp.org)

#### ***Growing Older in America: The Health and Retirement Study***

National Institute on Aging, U.S. Department of Health and Human Services.  
[www.nia.nih.gov](http://www.nia.nih.gov)

#### ***Work and Retirement Patterns for the G.I. Generation, Silent Generation, and Early Boomers: Thirty Years of Change***

Urban Institute, [www.urban.org](http://www.urban.org)

#### ***Older Americans, Continuing Care Retirement Communities Can Provide Benefits, but Not Without Some Risk***

Report to the Chairman, Special Committee on Aging, U.S. Senate, GAO-10-611 June 2010, [www.gao.gov](http://www.gao.gov)

#### ***The NRMLA Guide to Aging in Place***

Publications, [www.nrmla.org](http://www.nrmla.org)

### ***Older Adults and Social Media***

[www.pewinternet.org](http://www.pewinternet.org)

#### ***Older Americans Key Indicators of Well-Being***

Federal Interagency Forum on Aging-Related Statistics, [www.agingstats.gov](http://www.agingstats.gov)

### **MetLife Mature Marketing Institute Research Studies**

[www.metlife.com/mmi/research](http://www.metlife.com/mmi/research)

*MetLife Market Survey of Nursing Home, Assisted Living, Adult Day Services, and Home Care Costs*

*Aging in Place 2.0: Rethinking Solutions to the Home Care Challenge*

*Boomers: The Next 20 Years, Ecologies of Risk*

*Changing Attitudes, Changing Motives: The MetLife Study of How Aging Homeowners Use Reverse Mortgages*

*Encore Career Survey*

*Engaging the 21st Century Multi-Generational Workforce*

*Housing Trends Update for the 55+ Market*

*Livable Community Indicators for Sustainable Aging in Place*

*Meaning Really Matters: The MetLife Study on How Purpose is Recession-Proof and Age-Proof*

## Books

*From Age-ing to Sage-ing*  
Rabbi Zalman Schachter-Shalomi

*Still Here: Embracing Aging, Changing, and Dying*  
Ram Dass

*The Art of Aging: Celebrating the Authentic Aging Self*  
Alice & Richard Matzkin

*The Fountain of Age*  
Betty Friedan

*Healthy Aging: A Lifelong Guide to Your Physical and Spiritual Well-Being*  
Andrew Weil

*How to Care for Aging Parents*  
Virginia Morris and Robert M. Butler

*Loving Senior Transitions: The Top Five Questions Baby Boomers Need to Ask to Help Aging Loved Ones*  
Ruth Fennell

*The Longevity Revolution*  
Dr. Robert Butler

*Look Me in the Eye*  
Cynthia Rich and Barbara MacDonald

*September Songs: The Good News About Marriage in Later Years*  
Maggie Scarf

*Moving In the Right Direction: the Senior's Guide to Moving and Downsizing*  
Bruce Nemovitz

*Moving On: A Guide to Housing-Related Resources Tailored to Seniors and Their Families*  
SRES® Council,

*Seven Strategies for Positive Aging*  
Robert D. Hill

