

# AGING AND ITS FINANCIAL IMPLICATIONS: Planning for housing

Perspective, research and practical insights created in collaboration with The Center for Innovative Care in Aging at the Johns Hopkins University School of Nursing



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# OUR PARTNERS

## The Center For Innovative Care in Aging at The Johns Hopkins University School of Nursing

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### The Center:

- A new, inter-professional initiative to develop, advance, and support the well-being of older adults and their families.
- Employs novel approaches to enhance the yield of programs, policies, practices, and tools to help diverse older adults and family members remain healthy, independent, and living in their own homes and communities.

### Our Partnership:

- Shared perspective gained through research and practical insights to assist you with the challenges of aging.
- Collaborated on tools to help initiate the conversation, support the dialogue and help prepare for this important life stage.

Please note that Legg Mason is not affiliated with the Johns Hopkins University School of Nursing.

# THE CHALLENGE

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- Retirees may live as long as 30 years in retirement
- Financial advisors should help their clients think through advanced retirement (“Go-Go years”, “Slow-Go years”, “No-Go years”) and what it will cost
- Ideally, planning would take place before a potential health event



# AGENDA

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## The new face of aging

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Retirement planning:  
implications and  
considerations

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## Housing options

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## Tools and resources

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## Steps to take today

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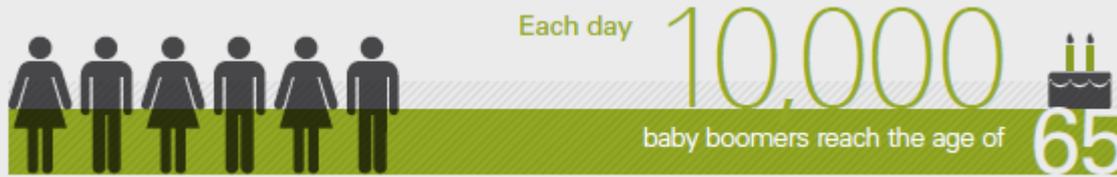


# THE NEW FACE OF AGING

# PROFILE OF AGING

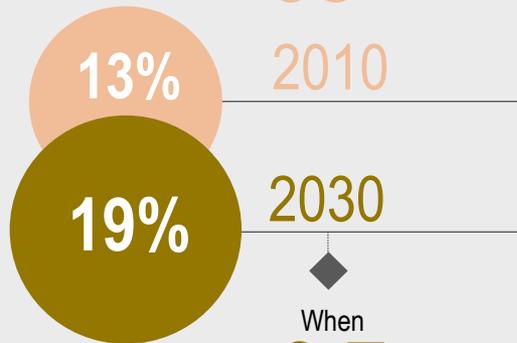
There are a number of trends that impact decisions related to housing during the years of retirement

The aging population (65+) will continue to increase



By **2030** all of the baby boomers will have moved into the ranks of the older population.

This will result in a shift in the over **65** population



When **8.7 million** people will be **85** or older

The effect of life expectancy

A woman who lives to age 65 today can expect to live an average of 20 years.



A 65-year-old man can expect to live an average of 18 years.



Once a woman or man reaches 85, there is a good chance their lives will extend another 6-7 years.



Sources: U.S. Census Bureau: The Next Four Decades; The Older Population in the United States: 2010 to 2050. Available electronically at: <http://www.census.gov/prod/2010pubs/p25-1138.pdf>  
 2013 National Vital Statistics Report — Deaths: Final Data for 2013. Table 7. Life expectancy at selected ages, by race, Hispanic origin, race for non-Hispanic population, and sex: United States, 2013, [www.cdc.gov/nchs/data\\_access/Vitalstatsonline.htm](http://www.cdc.gov/nchs/data_access/Vitalstatsonline.htm)

# PROFILE OF AGING

Women continue to outlive men to an increasing extent as they age

## Women continue to outlive men as they age

Percent of women in the 65-and-over population



Percent of women in the 85-and-over population



## The effect of marital status on living arrangements

-  **72%** live w/ spouse
-  **19%** live alone
-  **42%** live w/ spouse
-  **37%** live alone



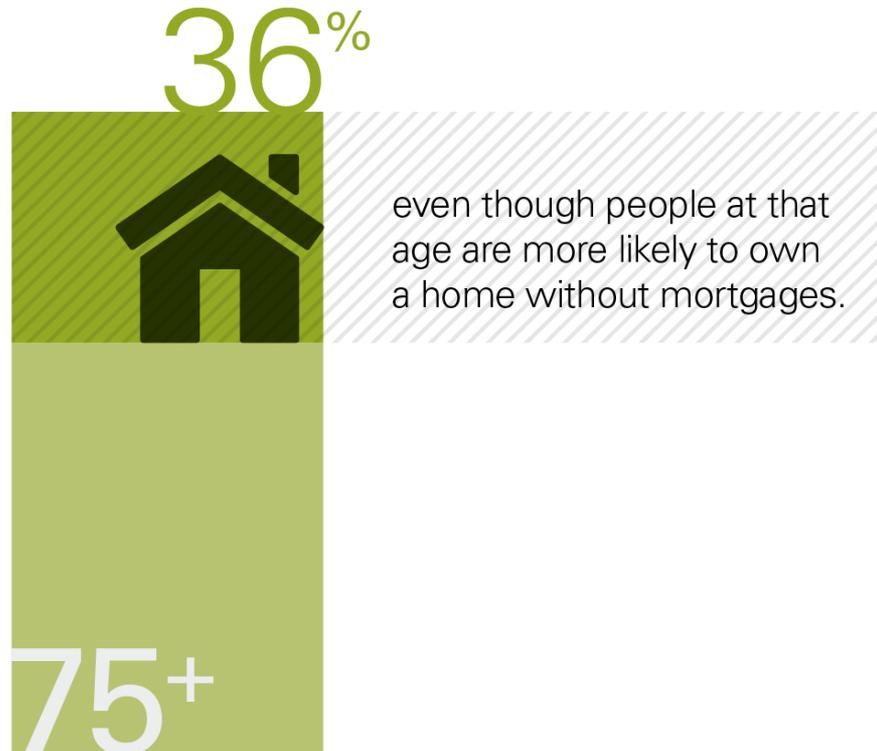
Source: U.S. Census Bureau, 1900 to 1940, 1970 to 1980, U.S. Census Bureau, 1983, Table 38; 1960, U.S. Census Bureau, 1964, Table 155; 1990, U.S. Census Bureau, 1991, 1990 Summary Table File; 2000, U.S. Census Bureau, 2001, Census 2000 Summary File 1; U.S. Census Bureau, Table 1: Intercensal Estimates of the Resident Population by Sex and Age for the U.S., April 1, 2000 to July 1, 2010 (US\_ESTO0INT-01); U.S. Census Bureau, 2011, 2010 Census Summary File 1; U.S. Census Bureau, Table 2: Projections of the population by selected by selected age groups and sex for the United States.

# HOUSING TRENDS

## Baby boomer housing expectations

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At age 75+,  
36% of one's  
expenses are  
likely to go  
towards  
housing



Source: Bureau of Labor Statistics: Consumer Expenditures in 2013. BLS Reports. Report 1053. February 2015.

# RETIREMENT PLANNING: IMPLICATIONS AND CONSIDERATIONS

# RETIREMENT PLANNING



- Housing costs should be factored into your financial plans
- If you are financially prepared, there is a wide range of housing options available to them
- Whether you have a plan or you don't have a plan, there will be a plan made...



# HOUSING OPTIONS

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There is a range of housing options for retirees

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- ✓ Aging in place
  - ✓ 55+ Independent Living Community
  - ✓ Continuing Care Retirement Communities (“CCRCs”)
  - ✓ Assisted Living Facility
  - ✓ Skilled Nursing Facility
-

# AGING IN PLACE



# AGING IN PLACE



**Generally in good health**



**Part of a social network and have family support**



**Living in a home with a favorable floor plan**



**Ability to drive and/or access to transportation**

# CONSIDERING AGING IN PLACE?



## Financial considerations

### Level 1: Modifications to the home

- This can be as minor as a few hundred to a few thousands to do things like install grab bars in the bathroom, to full scale renovations at hundreds of thousands of dollars.

### Level 2: Bringing in a care network

- The national median annual rate in 2015 for homemaker services or home health services is \$45,760 (based on a \$20 national median hourly rate multiplied by 44 hours per week multiplied by 52 weeks). Then, multiple by 3 for 24-hour care.

### Level 3: Cost to relationships and family dynamics (non-financial, but potentially heartbreaking)



## Family considerations

Placing additional responsibilities on family members is something that needs to be proactively discussed.



## Lifestyle considerations

- Transportation
- Socialization
- Household tasks



## Health care considerations

- Access to doctors, medical facilities
- Home health care services

# 55+ INDEPENDENT LIVING COMMUNITIES



# 55+ INDEPENDENT LIVING COMMUNITIES



Offer independent, relatively maintenance-free living, often with services and amenities specific to the needs of engaged, older adults. The “age restriction” or “age target” is typically age 55 or older, but may vary by community.

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## Housing options include:

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Single-family homes

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Condominiums

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Townhomes

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Senior apartments

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High-rise buildings

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## Key considerations/ requirements:

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For active, healthy, 55+ adults who desire a leisurely, hassle-free lifestyle

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No medical care

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Generally not Universal Design

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## Benefits:

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Freedom from external home maintenance

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Various amenities (golf courses, tennis courts, pools, equestrian facilities, fitness facilities)

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Social and cultural activities

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Opportunity to engage with others in the same stage of life

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# CONSIDERING 55+ INDEPENDENT LIVING?

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## Financial considerations

- In 2015, the average cost of renting was \$2,417/month (representing an average range of \$1,399–\$4,002 per month)
  - The cost to buy is often comparable to local real estate values plus HOA fees
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## Family considerations

- Family members may visit and stay in the home with the residents
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## Lifestyle considerations

- Simplified lifestyle
  - Built-in social outlets and recreational facilities
- 



## Health care considerations

- Doctors' offices are often nearby
  - Residents can bring in medical or non-medical care
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# CONTINUING CARE RETIREMENT COMMUNITIES (CCRCs)



# CONTINUING CARE RETIREMENT COMMUNITIES (CCRCs)



A continuing care retirement community (CCRC), or life care community, offers maintenance-free housing and a multi-dimensional lifestyle, along with a contract for care for health care services.

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## A CCRC is distinct in three important ways from other types of retirement communities:

Offers a combination of living accommodations and a “continuum of care” for life.

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The continuum of care encompasses different levels of service all at one location:

- Independent living
- Assisted living
- Skilled nursing

These services are either pre-funded or provided on a fee-for-service basis for life.

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Residents sign a contract that involves the right to live in a specific place, and the intent to purchase services.

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# CONSIDERING A CCRC?

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## Financial considerations

- Based on 2015 data, national average entrance fees is \$282,230
    - There is enormous variability in entrance fees and have seen them in excess of \$1.5million
  - Based on 2015 data, national average monthly fee is \$2,874.
    - Size of the monthly fees and the structure of the fees will vary amongst the communities.
  - Many CCRCs offer some degree of repayment of the entrance fee if the resident moves out or dies (typically expressed as a percentage)
  - Not generally covered by long-term care insurance
  - IRS may recognize a percentage of both the entrance fee and the monthly service fee as a prepaid medical expense deduction. For additional information, consult the December 2012 report authored by law firm McDermott Will & Emery titled “CCRC Fees – A Primer on the Tax Treatment of Entrance and Monthly Fees.”
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## Family considerations

- Couples can receive individualized care
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## Lifestyle considerations

- 24-hour security
  - Social and recreational activities
  - Housekeeping, transportation and wellness and fitness programs
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## Health care considerations

- Every level of care is offered
  - Resident usually must be able to live at the independent level of care at the time of entry
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# ASSISTED LIVING FACILITIES



# ASSISTED LIVING FACILITIES

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These facilities provide a supported living environment to those needing some assistance with the activities of daily living (ADLs). Generally rentals, these are most often apartments (studios or one-two bedrooms) and usually have communal dining facilities.

## **Key considerations/ requirements:**

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Do not provide 24-hour medical or skilled care

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Some facilities have special care units for residents suffering from Dementia or cognitive impairment

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Each state has it's own licensing requirements, these vary from state to state

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## **Benefits:**

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Monitors residents' activities to ensure health, safety and well-being

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Health aides provide assistance with the Activities of Daily Living (ADLs)

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May provide additional services such as: Housekeeping, laundry, medication management,

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Provides social and community engagement

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Residents typically stay until "end-of-life" unless skilled nursing care is required.

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# CONSIDERING AN ASSISTED LIVING FACILITIES?

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## Financial considerations

- The national medial annual rate is \$43,200.
  - In 2015, the average monthly cost for a one-bedroom, single-occupancy is \$3,600, and the range is \$600 - \$11,250.
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## Family considerations

- Family gains peace of mind from knowing that their family member(s) is not alone and has support to carry out activities of daily living
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## Lifestyle considerations

- Social engagement with others in a more supported living environment
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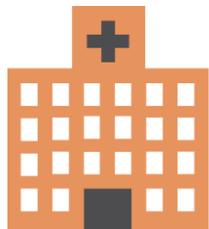


## Health care considerations

- Medical needs are being met either through on-site staff or periodic medical visits off-site
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# SKILLED NURSING FACILITIES

# SKILLED NURSING FACILITIES



Medical facilities that offer full-time, on-site nurses and nurse practitioners, social workers and dietitians.

## Key considerations/ requirements:

Provides the highest level of medical care.

A licensed physician supervises each patient's care

Suitable for individuals who require around-the-clock nursing care, a protective environment and other services

Run like medical facilities, including set times for medication and meals

Duration is usually long-term

## Benefits:

Provides assistance with the activities of daily living (ADLs)

Daily activity schedule

Close supervision to prevent falls or wandering off

Some facilities have specialized care units for Dementia patients.

# CONSIDERING A SKILLED NURSING FACILITY?

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## Financial considerations

- In 2015, the national median cost of a private room in a skilled nursing facility is \$250 daily or \$91,250 annually. The national range on a daily basis is a minimum of \$101 and a maximum of \$1,255.45
  - Medicare covers only a limited amount of the costs
  - Long-term care insurance varies by policy
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## Family considerations

- Provide full-time skilled nursing care that may be difficult for the family to provide in the home
  - Family may visit, if the medical condition permits
- 



## Lifestyle considerations

- Designed to provide on-site services, including activities, meals and medical care
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## Health care considerations

- Highest level of supervised skilled medical care
  - Some facilities offer separate memory care units for dementia patients
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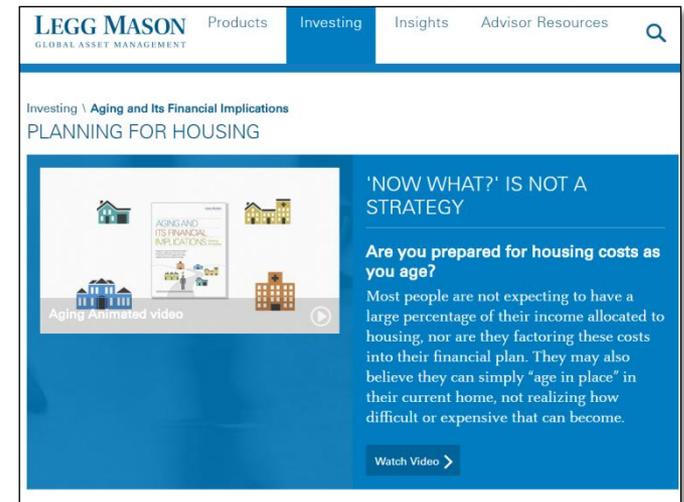
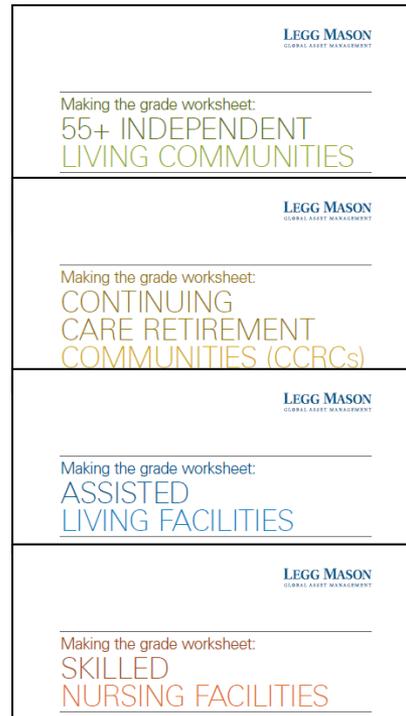
## Other considerations

- Security level
- Alzheimer's/dementia care

# TOOLS AND RESOURCES

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- Brochure
- Workbook with comprehensive worksheets
- Website
  - [www.leggmason.com/aging](http://www.leggmason.com/aging)



# STEPS TO TAKE TODAY

Brandywine Global  
Clarion Partners  
ClearBridge Investments  
EnTrustPermal  
Martin Currie  
QS Investors  
RARE Infrastructure  
Royce & Associates  
Western Asset

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