



Seniors Real Estate Specialist (SRES®)

OFFICIAL DESIGNATION COURSE



Student Manual

NATIONAL ASSOCIATION OF REALTORS® OFFICIAL DESIGNATION

SRES®

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Introduction

Course Learning Goal

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, fostering empathy with clients and customers, and connecting to a network of resources.

Learning Objectives

1. GENERATIONS

- Identify generational demographic groups based on age.
- Distinguish generational characteristics of demographic groupings of the 50+ market.
- Adapt your communications and interpersonal approach to match generational expectations and preferences.

2. 21ST CENTURY RETIREMENT

- Learn about the physical aspects of aging in order to better understand and serve the 50+ market
- Recognize the relationship between health and activity status and housing choices.
- Apply knowledge of the age-based homeownership cycle in order to help clients and customers find homes that fit their preferences, life stage, and needs.

3. LIFE STAGES

- Consider how economic challenges affect retirement plans.
- Identify issues and factors that influence older adult's decisions to sell or buy a home and choose a community.
- Adapt marketing and prospecting methods to serve the 5o+ real estate market

4. THE GO-GO YEARS

- Develop services that win and sustain client and customer relationships and position you as a trusted real estate advisor.
- Research housing options and planned communities for active seniors in your market area and opportunities for real estate professionals.
- Keep up to date on housing trends and smart home adaptations for the 50+ market.

5. THE SLOW-GO YEARS

- Alert clients and customers interested in age-restricted communities of eligibility requirements, regulations. and restrictions.
- Research senior-oriented communities, developments, and housing options in your market area and opportunities for real estate professionals.
- Counsel sellers on preparing and staging a property for sale and suggest strategies for downsizing and decluttering.

6. AGING IN PLACE

- Acquaint clients and customers with desirable community and home features for aging in place.
- Help clients and customers evaluate the adaptability, safety, and suitability of a home for aging in place.
- Evaluate the livability of market area's communities and neighborhoods for aging in place.

7. THE SLOWER-GO YEARS

- Distinguish between types of elder housing options that offer assistive services.
- Provide clients and customers and their families with helpful insights based on your experience of how others have made the transition to housing with assistive services.
- Research senior-oriented communities, developments, and housing options in your market area and opportunities for real estate professionals.

8. THE MATURE CONNECTED WORLD

- Identify issues and challenges of technology adoption for the Silent, Baby Boomer, and Gen X generations.
- Explore technologies that support aging in place.
- Alert clients and customers and their families to types of technologies that help elder relatives maintain independence and support care givers.

9. FINANCING MATTERS

- Identify situations in which a home equity conversion (HECM) mortgage would be helpful and appropriate.
- Alert clients and customers and their families to the benefits, uses, pros and cons of HECMs and alternatives.
- Identify issues involved in listing or representing a buyer interested in a home with a HECM.

10. TAX MATTERS

- Gain an overview of tax issues of concern for 50+ clients and customers.
- Recognize situations in which a tax-deferred 1031 exchange would be possible and advantageous.
- Alert clients and customers to tax issues that could impact spouses, partners, and heirs.

11. LEGAL MATTERS

- Avoid inappropriate involvement in family matters and maintain focus on the real estate transaction.
- Manage potential legal liabilities and avoid conflicts of interest in real estate transactions.
- Maintain confidentiality of information when providing services for 50+ clients and customers and their families.

12. BUILDING YOUR TEAM

- 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

Exam completion varies state by state. REBAC and CSRE no longer require completion of an in-person exam for designation status.

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

The SRES® Council, part of the NAR family, supports real estate professionals who specialize in serving real estate buyers and sellers age 50 and older. 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. The SRES® Council connects you to a network of 16,000 referral partners.

Earning the SRES® Designation

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

1. Maintain active membership in NAR or an international cooperating association.
2. Complete the SRES® Designation Course live or online.
3. Maintain active membership in the SRES® Council. The SRES® Designation Course fee includes 1 year's membership in the SRES® Council (annual dues are $99 thereafter).

EARN CREDIT FOR OTHER REALTOR® DESIGNATIONS

Completing the SRES® Designation Course also meets elective course requirements for earning the Accredited Buyer's Representative (ABR®) designation.

SRES® Member Benefits

- National recognition as an official NAR designation
- The SRES® Professional, a quarterly eNewsletter with information about senior-related issues, such as legislative initiatives, financial and legal matters, and housing trends
- Customizable SRES® consumer newsletters
- Library of customizable marketing letters and scripts
- 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)
- *Moving On* brochure and toolkit for your clients
- Access to an online network of resources to support your business

SRES®—A Market Distinction

When you distinguish yourself as a specialist in the 50+ market, you can reference the SRES® 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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Knowledge Base for the Course

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 the federally protected classes apply when working with the 50+ market. Although federal statutes do not specify age as a protected class, some 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 age 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.

Test Your Generation IQ

Because brand names and trends become an integral part of everyday life, they also become iconic of their eras. Can you match these brand names and trends?

	Woolworth
	Braniff
	Matrix
	Tab
	Ipana
	Dougie
	Life
	Fidget Spinner
	Annie Greensprings
	Tik Tok
	M.A.C.
	Twiggy
	Wang
	Girbaud
	Hai Karate
	DeLorean
	G.I. Joe
	Wisk
	Popeil
	BTS
	Kurt Cobain
	Kombucha
	Chick-Fil-A
	Tickle Me Elmo
	H&M

A. Toothpaste
B. Wine
C. Magazine
D. Fad gadget
E. Car company
F. Laundry detergent
G. Cosmetic brand
H. Rock group
I. Rock singer
J. Dance
K. Tea drink
L. Variety store
M. Gadget inventor
N. Action figure
O. Toy
P. Airline
Q. Jeans
R. Restaurant chain
S. Hit movie
T. Fashion brand
U. Word processer
V. Social media
W. Fashion model
X. Men's cologne
Y. Soft drink

MODULE 1:
Generations

AFTER COMPLETING THIS MODULE, YOU WILL BE ABLE TO:

- Identify generational demographic groups based on age.
- Distinguish generational characteristics of demographic groupings of the 50+ market.
- Adapt your communications and interpersonal approach to match generational expectations and preferences.

The generations of the 50+ market represent a huge business opportunity as they hold 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.

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 age 50 to work with this market? Regardless of your generational "label," conscientious and empathetic service will win you a reputation as a trusted real estate advisor.

When you think of the "senior market" how do you picture the typical buyer or seller? "Senior market" may call to mind the on-the-go Baby Boomers and it's true that the boomer generation comprise the largest percentage of the market. The market, however, encompasses the cautious silent generation, the forever-young boomers, and the leading edge of latch-key kid Gen Xers.

Let's start by looking at the demographic characteristics of the 50+ market and how they impact home buying and selling.

Generations

This study focuses on the three generations that make up the senior real estate market: Silent Generation, Baby Boomers, and Generation X. Information about the three generation that follow—Millennials, Generation Z or Zoomers, and the Alpha Generation—is included as well because family members in these groups may influence the real estate choices of their elder relatives. Following is a summary of numbers, percentages, age range, and a few characteristics for each generational group.[1]

SILENT GENERATION

Characteristics: Cautious, conformist, risk-averse, unimaginative, industrious, prudent, unquestioning of authority

- Born 1925–1945
- 6% of population
- 19.68 million
- Age in 2022: 77–97

BABY BOOMERS

Characteristics: Ambitious, optimistic, individualistic, seeking immediate gratification, hardworking, competitive, materialistic, forever young

- Born 1946–1964
- 21% of population
- 70.22 million
- Age in 2022: 58–76

1 Annual Estimates of the Resident Population by Single Year of Age and Sex for the United States: April 1, 2020 to July 1, 2021 (NC-EST2021-SYASEXN), U.S. Census Bureau, Population Division, Release Date: June 2022.

GENERATION X

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

- Born 1965–1976
- 15% of population
- 49.8 million
- Age in 2022: 46–57

MILLENNIALS, GENERATION Y

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

- Born 1977–1994
- 24% of population
- 80.2 million
- Age in 2022: 28–45

GENERATION Z, ZOOMERS

Characteristics: Technology adept, connected, introverted, short attention span, individualistic, impatient, communication in social media

- Born 1995–2010
- 21% of population
- 69.12 million
- Age in 2022: 12–27

GENERATION ALPHA

Characteristics: First generation born entirely in the 21st century, likely to be self-reliant, independent, trust as a core value, only children of older parents

- Born 2011–
- 13% of population
- 43.22 million
- Age in 2022: 11 and under

Generations, Families, Households

More than three out of four older adults age 55+ own their own homes. In fact, the percentage of older adults who own their own homes surpasses the overall rate of homeownership. The configuration of households of older adults varies from solo agers to three or four generations living under the same roof. Relationships, ages, and care needs impact housing choices, as do life stages and changes.

Figure 1.1: Home Ownership Rates by Age[2]

Age	Rate of Homeownership
55–65	75%
65+	78.6%
Overall	65.3%

WEALTH AND HOME EQUITY

67.7% PERCENTAGE OF WEALTH HELD BY AMERICANS AGE 55 AND OLDER

Americans age 55 and older hold about two-thirds of the nation's wealth, with those age 55–69 holding the largest percentage (41.2%). Older Americans hold about a third (37.5%) of total liabilities. In comparison, Americans younger than age 55 hold a less than half of the wealth (45.48%) and close to two-thirds of liabilities (62.5%). Of course, wealth is not evenly distributed among any age group, but many older Americans have both substantial home equity and the financial muscle to make the next move.[3]

2 Release Number: Release Number: CB22-58, April 27, 2022 —U.S. Census Bureau, Quarterly Residential Vacancies and Homeownership, First Quarter 2022, https://ww.census.gov/housing/hvs/files/currenthvspress.pdf

3 Distribution of Household Wealth in the U.S. since 1989, Wealth by age, 1st quarter 2022, reported June 21, 2022, Board of Governors of the Federal Reserve System, https://www.federalreserve.gov/releases/z1/dataviz/dfa/distribute/chart

MARRIED COUPLES

63% PERCENTAGE OF AMERICANS AGE 55+ MARRIED, WITH SPOUSE PRESENT

Most older adults age 55–74 (63%) are married and live with their spouse. At age 75–84, the percentage of married couples living together drops to about half (53%). By age 85 or older about half (54%) of older adults are widowed. Loss of a spouse is often a life event that brings about the sale of the family home and purchase a smaller home, move to senior housing, or move in with children or other relatives.[4]

SANDWICH GENERATION

With children remaining financially dependent into adulthood and parents living longer, healthier lives, a significant number of middle-aged and older adults are caring for both elder parents and children. Although their elderly parents are healthier and wealthier than previous generations, they are still likely to rely on their children for assistance and emotional support. Dependent adult children tend to rely on their parents for financial support. Sandwich generation households may carry a considerable financial burden when the adults in the "middle" must support three generations at one time: their parents, their immediate family (self and spouse) and children.

GEN X—THE NEW SANDWICH GENERATION

Generation X is replacing the Baby Boomers as the foremost sandwich generation caring for both children and older relatives. A study by the Pew Organization found that more than half (54%) of Americans in their 40s have a parent age 65 or older as well as a child under age 18 or an adult child they help financially. About a third (36%) of Americans in the 50s are in a similar care-giving situation.

Based on Bureau of Labor statistics, the typical sandwich generation care giver who has children living at home is employed full-time (69%), married or living with a partner (85%), and caring for a parent (48%).[5, 6]

4 Source: U.S. Census Bureau, Current Population Survey, 2021 Annual Social and Economic Supplement, Internet Release Date: November 2021, https://www.census.gov/data/tables/2021/demo/families/cps-2021.html

5 Horowitz, Juliana Menasce, "More than half of Americans in their 40s are 'sandwiched' between an aging parent and their own children," Pew Research Center, April 2022, https://www.pewresearch.org/fact-tank/2022/04/08/more-than-half-of-americans-in-their-40s-are-sandwiched-between-an-aging-parent-and-their-own-children

6 "Unpaid Eldercare in the Unites States—2017-2018, Data from the American Time Use Survey, U.S. Bureau of Labor Statistics", November 2019, https://www.bls.gov/news.release/elcare.nr0.htm.

ADULT CHILDREN LIVING WITH PARENTS

24 MILLION NUMBER OF ADULT CHILDREN (AGE 18-34) LIVING IN PARENTS' HOME, 7.6 MILLION ARE AGE 25–34

With their adult children still living in their home, parents may need to rethink retirement plans, such as moving to a warmer climate, a senior oriented community, or a smaller home with less maintenance responsibility. Paying off student loan debt may impede saving for retirement and necessitate a return to the workplace. On the other hand, adult children at home can provide care and emotional support for aging parents and may contribute financially to the upkeep and running of the home.[7]

STUDENT LOAN DEBT

Student loan debt is not an issue only for new graduates. Many retirees living on fixed incomes are struggling to pay off student loan debt. The Federal Student Aid office of the U.S. Department of Education estimates that 2.5 million borrowers age 62 and older collectively owe about $101 billion in student loans. The total amount for borrowers in that age group has almost doubled from the 2017 total of $51.9 billion.

NAR's 2022 Home Buyer and Seller Generational Trends research study found a median student loan debt load of $42,000 for a significant number of borrowers age 57–66—crucial years for accumulating retirement savings.[8]

Figure 1.2: Seniors with Student Loan Debt

Age Range	% Buyers who have student loan debt	Amount (median)
Age 75–95	2%	$19,000
Age 67–75	3%	$22,000
Age 57–66	9%	$42,000
Age 42–56	23%	$30,000

7 AD-1. Young Adults, 18-34 Years Old, Living At Home: 1960 to Present, Historical Living Arrangements of Adults, U.S. Census Bureau, Current Population Survey, March and Annual Social and Economic Supplements, November 2021, https://www.census.gov/data/tables/time-series/demo/families/adults

8 Federal Student Loan Portfolio by Borrower Age, Federal Student Aid, U.S. Department of Education, 2022 Q2, https://studentaid.gov/data-center/student/portfolio

MULTIGENERATIONAL HOUSEHOLDS

NAR's Home Buyer and Seller Generational Trends survey reports about half (53%) of home buyers age 42 and older purchased multi-generational homes to take care of aging parents, because children over the age of 18 were moving back or never left, and for cost savings.[9] The U.S. Census Bureau estimates that 59.7 million Americans reside in multigenerational homes, about 18 percent of U.S. household.[10]

GRANDFAMILIES

5.4 MILLION THE NUMBER OF AMERICANS CHILDREN BEING RAISED BY A GRANDPARENT

U.S. Census data indicates that approximately 2.7 million U.S. grandparents are responsible for 5.4 million grandchildren. 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. Late-life parenting can be physically, emotionally, and financially stressful. And housing can be a problem if the grandparent lives in an age-restricted community that does not allow extended stays for youngsters.[11]

9 2022 Home Buyer and Seller Generational Trends, National Association of REALTORS® Research, https://cdn.nar.realtor/sites/default/files/documents/2022-home-buyers-and-sellers-generational-trends-03-23-2022.pdf

10 U.S Census Bureau, Annual Social and Economic Supplement of the Census Bureau's Current Population Survey quoted in D'Vera Cohn et. al., "Financial Issues Top the List of Reasons U.S. Adults Live in Multigenerational Homes", Pew Research Center, March 2022, https://www.pewresearch.org/social-trends/2022/03/24/financial-issues-top-the-list-of-reasons-u-s-adults-live-in-multigenerational-homes

11 Table B10050, Grandparents Living with Own Grandchildren Under 18 years by Responsibility For Own Grandchildren, Table 10001 Grandchildren under 18 years living with Grandparent householder by Grandparent Responsibility and Presence of Parent, 2020 American Community Survey, U.S. Census Bureau, https://data.census.gov/cedsci/table?t=Grandparents%20and%20Grandchildren&tid=ACSDT5Y2020.B10050

SOLO AGERS

39% AMERICANS AGE 55+ ARE WIDOWED, DIVORCED OR SEPARATED WHILE 9% PERCENTAGE OF AMERICANS AGE 55+ NEVER MARRIED

More than one-third of older adults are on their own, either because of remaining single or because of divorce, separation, or widowhood. As they age, new trends can emerge in mutual help groups and living arrangements. For example, couples living apart together in later life (LAT or LLAT) have a close stable relationship but maintain separate households. Having past the years of family raising, career, and perhaps caring for an ailing spouse, LLAT couple have the benefits of cohabiting but remain independent.

It's important for solo agers to strategize where they age and how they will accomplish the daily tasks of living. Steps the solo agers can take to prepare include getting paperwork in order—advance directives, powers of attorney, trusts, and wills—and tapping into a social network of people in similar circumstances.[12]

LGBTQ+ HOME BUYERS AND SELLERS

About seven percent of the U.S. population (7.2%) identify as lesbian, gay, transgender, bisexual, queer/questioning, or other. Individuals within the LGBTQ+ group are most likely to self-identify as Gay or Bisexual.[13]

Figure 1.3:
% of Population Self-Identifying as LGBTQ+

	Within LBGTQ+ Community	Within U.S.
Lesbian	13.9%	1%
Gay	20.7%	1.5%
Bisexual	56.8%	4%
Transgender	10%	.7%
Queer/Questioning/Other	4.3%	.3%

12 U.S. Census Bureau, Current Population Survey, 2021 Annual Social and Economic Supplement November 2021.

13 Jones, Jeffrey, "LBGT Identification in U.S. Tracks Up to 7.1%", Gallup, February 2022, https://news.gallup.com/poll.389792/lbgt-identification-ticks-up

Millennials and Generation Z are more likely to self-identify as LGBT+ than those in the older generations, with one in five Generation Z individuals self-identifying as such.

Figure 1.4:
% of Population Self-Identifying as LBGTQ+ by Generation

Generation	% of Population
Silents	.8%
Baby Boomers	2.6%
Generation X	4.2%
Millennials	10.5%
Generation Z	20.8%

NAR's study of LGBTQ+ Home buyers and sellers found that they were slightly younger and earned slightly less in the previous year than non-LGBTQ+ home buyers and sellers.[14] Bisexuals were younger and earned significantly less than all other groups including non-LGBTQ+ buyers and sellers. More than half of LGBBTQ home buyers and sellers were two-person households (54%) with two-earners (55%) and 39 percent were married couples.[15]

Figure 1.5:
Median Age, Income, and Purchase Price for Buyers by Sexual Identity

	LBGTQ+	Lesbian/ Gay	Bisexual	Non-LGBTQ+
Median age buyers/sellers	42	45	34	46
Median income	$93,200	$96,500	$78,1000	$97,000
Median purchase price	$245,000	$250,000	$210,000	$268,000

14 NAR 2021 Profile of LGBTQ Home Buyers & Sellers, National Association of REALTORS® Research Group, https://nar.realtor/research and statistics

15 The U.S. Census Bureau reports about 717,000 same-sex married couples. Table FG10. Family Groups: 2021, U.S. Census Bureau, Current Population Survey, 2021 Annual Social and Economic Supplement, November 2021. https://www.census.gov/data/tables/2021/demo/families/cps-2021

When it comes to choosing a home, LGBTQ+ buyers share the same preferences as non-LGBTQ+ buyers. A single-family home in the suburbs is the top choice for LBGTQ buyers, although they more likely than non-LGBTQ+ buyers to opt for a urban location and purchase slightly less expensive homes.[16] Quality of the neighborhood, convenience to job, and overall affordability are top considerations in choosing a neighborhood. Caregiving, as a recipient or caregiver, may be a factor for LGBTQ+ elderly. In fact, as LBGTQ adults look to the future, they are very concerned about having adequate family or social support they age as well as experiencing social isolation. About two-thirds of LGBTQ+ adults expect to serve as a caregiver in the future (61%) or need caregiving (66%).[17]

LGBTQ+ real estate professionals report, however, that for nine out of ten (95%) of buyers, feeling safe and a lack of harassments are major factors in choosing a neighborhood. Along with concern about a welcoming neighborhood, AARP's study of older LGBTQ+ adults found that a significant percentage of home buyers and renters fear discrimination because of sexual orientation or gender identity.

Multiple anti-discrimination laws at the local and state laws specifically bar discrimination based on sexual orientation and gender identity. Although not specifically addressed by federal Fair Housing Law, an executive order signed by President Biden in January 2021 ordered all federal agencies to interpret the law to bar discrimination based on sexual orientation, gender identity, and gender expression.[18] Subsequently, HUD issued an implementing memorandum announcing that the agency "will administer and enforce the Fair Housing Act to prohibit discrimination on the basis of sexual orientation and gender identity."[19]

16 NAR 2021 Profile of LGBTQ Home Buyers & Sellers, National Association of REALTORS® Research Group, https://nar.realtor/research and statistics

17 Dignity 2022: The Experience of LGBTQ Older Adults, AARP Research, 2022, www.aarp.org/LGBTQdignity

18 "Executive Order on Preventing and Combating Discrimination on the Basis of Gender Identity or Sexual Orientation," The White House, Presidential Actions, January 20, 2021, https://www.whitehouse.gov/briefing-room/presidential-actions/2021/01/20/executive-order-preventing-and-combating-discrimination-on-basis-of-gender-identity-or-sexual-orientation.

19 "HUD to Enforce Fair Housing Act to Prohibit Discrimination on the Basis of Sexual Orientation and Gender Identity," HUD No. 21-021, HUD Public Affairs, February 11, 2021, https://www.hud.gov/press/press_releases_media_advisories/HUD_No_21_021.

Home Buyers and Sellers Generational Trends

Review the following charts to explore current generational trends in homebuying and selling.[20]

Figure 1.6: Top Three Reasons for Selling

Age 76–96	Age 67–75	Age 57–66	Age 42–56
▶ Be closer to family and friends ▶ Home too large ▶ Life changes	▶ Be closer to family and friends ▶ Home too large ▶ Retirement	▶ Be closer to family and friends ▶ Home too large ▶ Retirement	▶ Home too small ▶ Neighborhood less desirable ▶ Life changes

Figure 1.7: Top Three Reasons for Buying

Age 76–96	Age 67–75	Age 57–66	Age 42–56
▶ Be closer to family/friends ▶ Want a smaller home ▶ Retirement	▶ Be closer to family/friends ▶ Retirement ▶ Want a smaller home	▶ Be closer to family/friends ▶ Own my own home ▶ Retirement	▶ Own home of own ▶ Want larger home ▶ Life changes

Figure 1.8:
Home Purchased Compared to Recently Sold, Distance Moved (median)

Age	Sold	Purchased	Distance
Age 76–96	$359,000	$300,000	22 miles
Age 67–75	$350,000	$324,000	40 miles
Age 57–66	$350,000	$348,000	35 miles
Age 42– 65	$315,000	$365,000	15 miles

20 NAR 2022 Home Buyers and Sellers Generational Trends, Research and Statistics, https://www.nar.realtor/research-and-statistics/research-reports/home-buyer-and-seller-generational-trends

Figure 1.9: Size of Home Sold and Purchased (Median Square Feet)

Age	Sold	Purchased	Average Rooms
Age 76–96	2000 sq. ft.	1800 sq. ft.	3 bedrooms 2 bathrooms
Age 67–75	2100 sq. ft.	2000 sq. ft.	
Age 57–66	2000 sq. ft.	2000sq. ft.	
Age 42–56	1900 sq. ft.	2300 sq. ft.	

Figure 1.10: Equity and Tenure in Home Sold

Age	Equity	Tenure	21+ years tenure
Age 76–96	$151,500 (82%)	18 years	44%
Age 67–75	$125,000 (63%)	17 years	41%
Age 57–66	$95,500 (49%)	13 years	32%
Age 42–56	$78,900 (39%)	11 years	18%

Figure 1.11: Purchased Senior-Related Housing

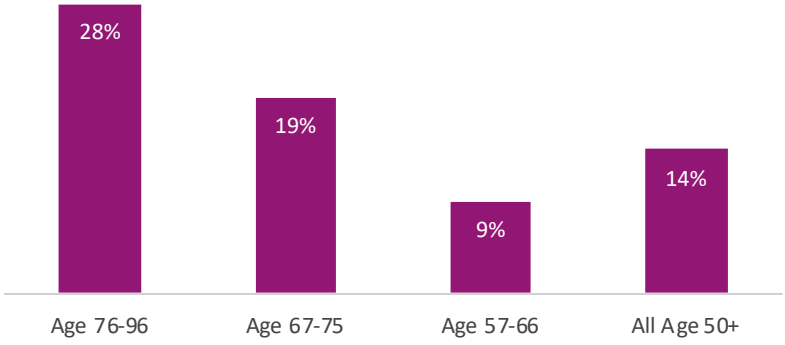


Figure 1.12: Purchased a Single-Family Home

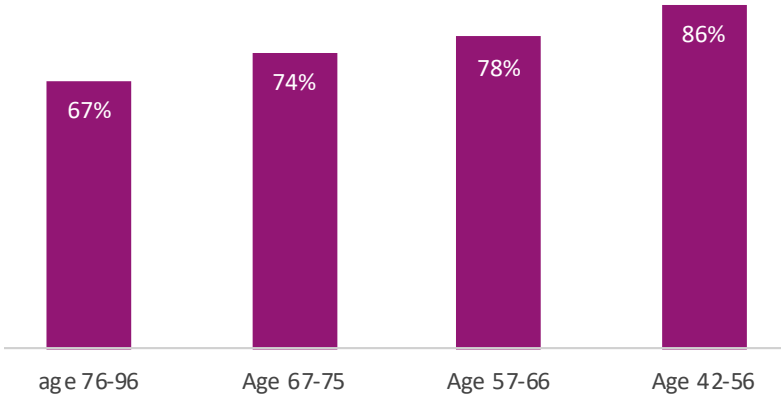
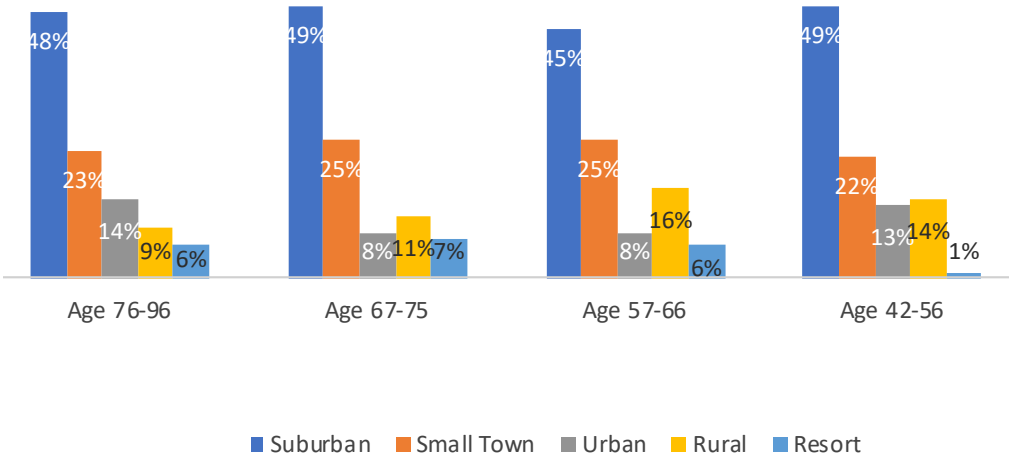


Figure 1.13: Location of Home Purchased



Generation Characteristics

Demographic statistics paint the picture of the maturing generations of home buyers and sellers in terms of numbers. Gaining an in-depth understanding of the senior market that leads to business success for the real estate professional involves study of the span of generations not only in terms of numbers and ages, but also attitudes, motivations, lifestyle and work style, activity levels, health, future plans, retirement readiness, and other characteristics.

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.

Why is it helpful to look at generational commonalities and differences? Although not a substitute for learning about individual preferences and lifestyles of clients and customers, generalizations can provide insight into what is important to them and the best communications and marketing methods.

THE SILENT GENERATION

FORMATIVE EVENTS

- End of WWII (1945)
- Start of Cold War (1947)
- Korean War (1950–1953)
- Soviets launch first satellite Sputnik (1957)

The Silent Generation found itself sandwiched between two trail blazing generations: the admired G.I. Generation who survived the Great Depression and fought and won, with great personal sacrifice, WWII, and the huge and vocal Baby Boomer generation who overshadowed them by sheer numbers and radical questioning of every social institution and convention.

As early retirees, the Silent Generation left the workplace with generous defined benefit pensions and escaped the financial setbacks of economic downturns and recessions. They rode a wave of post-war prosperity to personal wealth and upward mobility. The Silent Generation was taught to play by the rules, be cautious, and respect authority. Their dedication and belief in social institutions shaped an era of stability and observance of traditional ways. They didn't want to rock the boat or disrupt society or the system—they wanted to work and thrive in it.

Members of the Silent Generation are driven by a sense of safety and stability, so they plan and make decisions carefully (they know what it means to sacrifice). They are careful with their money. Because they like to take their time and not rush into decisions or actions and weigh their options carefully, they may appear indecisive or overly cautious.

They value personal connections and relationships and like to do business with people they know. Community and social interaction in their living situation are important. Civic-minded and openly patriotic, they are loyal to their country, family, friends, and their employers.

SILENT GENERATION BUYERS AND SELLERS

For Silent Generation buyers and sellers, the decision to move can be an emotional and complicated process. They value their home and the experiences they've created there—it's where life happened for them. As a result, they may face a move with a sense of loss and apprehension. The sense of obligation to keep the family home may be a burden and a comfort

at the same time. Couples often have different opinions on next steps, or different perceptions of their readiness to move on. Family members may step in to offer counsel and protection or influence decisions. What can a real estate professional expect when working with the Silent Generation?

Guidance

- Need to be reminded on how the home-buying or selling process works. It has probably been a while since their last transaction.
- May have unrealistic expectations and time frames.
- May not be the only decision maker. Children and other family members often weigh in and can have conflicting opinions, motivations, and preferences.

Empathy and Compassion

- Want to connect with you on a personal level. They may feel isolated and confused and want your support and guidance. They want you to understand how they're feeling about the move—it may be the "last move."
- Expect you to slow down, be present, and really listen.
- May be more motivated by emotions than money.
- Need to talk things through.
- Can be overwhelmed easily by too much information.
- May be concerned about their personal health or the health of their spouse or friends.

Professionalism

- Expect you to be on time, shake hands, dress professionally, and use proper titles (Mrs. or Mr., Sir and Ma'am) and not first names.
- Want to work with a recommended real estate professional. Referrals are important.

Expertise

- Want to know you understand their issues.
- Respect authority and value experience.
- Will appreciate your Seniors Real Estate Specialist (SRES®) designation or other credentials, but don't assume they know what the designations represent. Spell it out.

THE BABY BOOMER GENERATION

FORMATIVE EVENTS

- Construction of Berlin Wall (1961)
- Cuban Missile crisis (1962)
- John F. Kennedy assassination (1963)
- Assassinations of Martin Luther King Jr. and Robert Kennedy (1968)
- Moon landing (1969)
- Woodstock (1969)

Until recently, the Baby Boom generation was the largest generation in U.S. history. They have had a tremendous impact on the world and reshaped ever phase of the life as they lived through it. Now, they are they are redefining what it means to age and retire. But don't make the mistake of calling them elderly—they are the "forever young" generation. Boomers see themselves as young at heart, health conscious, and not aging. In retirement, they seek freedom and new experiences and avoid delayed gratification.

For most Baby Boomers, retirement is here or on the near horizon, and they're looking forward to years of leisure time to delve into favorite activities and try new experiences. Many Boomers, however, are no longer able or don't want to make a complete break from the workplace.

Baby Boomers are known for their strong work ethic, dedication, long attention span, and ability to stay focused on a subject. They maintain strong self-reliant values and believe in their own ability to get things done such as setting and achieving goals. They take pride in their career success and derive sense of self-worth from personal and professional achievements, with awards, certificates and letters of appreciation often prominently displayed.

Baby Boomers grew up questioning "the way things are." So, it's not surprising that they don't take restrictions and rules at face value and want to know why something is important and how it fits in the big picture before taking action. They will challenge authority if they don't agree with the status quo.

BABY BOOMER BUYERS AND SELLERS

Baby Boomers are savvy home buyers. They approach the transaction with high expectations and confidence. Whether they are downsizing, upsizing, or purchasing a second home, vacation home, or investment property, they know what they want and how to tell you about it. They want their home to fit and reflect their lifestyle and needs today and as they age. What can real estate professional expect when working with Baby Boomer buyers?

Confident

- Are experienced home buyers and comfortable with the process?
- Know what they want and how to define it.
- Maintain independence and don't need or want to involve their children in decision-making process

Demanding

- Won't settle for less than the best throughout the entire process.
- Value personal relationships and face-to-face interactions.
- Know what a real estate professional offers and have high expectations.
- Have limited loyalty to brands or people, so you must distinguish yourself from the other agents.
- Don't like rules and restrictions and think they don't apply to them. Strive for individuality over conformity.

Image matters

- Think the home reflects their personal identity.

Economically driven

- Are not afraid of credit or leverage.
- Will pay more for a home if it fits their needs better.
- Understand that their current home may have dropped in value.

GENERATION X

FORMATIVE EVENTS

- Watergate (1970s)
- Vietnam War and protests (1959–1975)
- Iran Hostage Crisis (1979–1981)

Why include Generation X in a study of older home buyers and sellers? The leading edge of this generation reached age 55 in 2020. In addition to aging into the senior market, Gen Xers may be involved in the real estate decisions of older family members.

For aging Gen Xers, the big question is if they will be financially able to retire? They carry the largest debt load of any of the generations. Understandably they are in the debt acquisition years with mortgages, auto loans, credit card balances, and more. Despite appearances of financial wellbeing, however, many Gen Xers just make it from one paycheck to the next. Fortunately, unlike their older counterparts, most Gen Xers are still in their peak earning years with more time to save, invest, and build wealth.

Gen Xers pick up characteristics from their parents—Silents and older Baby Boomers—as well as reflect the attitudes and preferences of the Millennial generation. Disillusioned from growing up with career-focused parents and high divorce rates, Gen Xers don't see the American dream as acquiring status-symbol homes or cars. The idea that hard work and ambition are the keys to economic success and that anyone can pull himself up by the bootstraps just doesn't resonate with many Gen Xers. They "work to live" rather than "live to work" and put family and home before career.

Where Generation X stands out is in their strong independence and pragmatic yet cautious approach. The Gen X outlook sees a world with no common interests so it's up to individuals to look out for their own interests. They are self-reliant and used to doing things and want to be in control. They think they can do anything by themselves.

They hesitate when working with experts and expect service providers to earn their trust. Although they appreciate advice, they don't want to be told what to do by "experts." In personal interactions, Gen Xers may be direct, competitive, confident, and confrontational.

Gen Xers, like younger Millennials, are comfortable with technology and the Internet and know how to multitask and obtain information quickly. They research properties, neighborhoods, and home values well in advance.

GENERATION X BUYERS AND SELLERS

In real estate transactions, Gen Xers may ask a lot of questions and emphasize proof, facts, and documentation and won't need hand-holding or emotional support. Real estate professionals must prove their expertise and value to skeptical Gen Xers. How can a real estate professional accomplish this?

- Provide pros and cons, as well as other considerations for all properties.
- Present factual information.
- Be direct but respect their desire to be in control and make decisions.
- Provide information and objective input.

MILLENNIAL GENERATION

FORMATIVE EVENTS

- Chernobyl (1986)
- Space Shuttle Challenger explosion (1986)
- Fall of the Berlin Wall (1989)
- Dissolution of Soviet Union (1991)
- Gulf War—Desert Storm (1990–1991)
- Rodney King trial and riots (1992)
- Oklahoma City bombing (1995)
- Columbine school shooting (1999)
- Corporate downsizing, layoffs
- Internet, global connectedness

Why do we need to consider working with Millennials when the focus is on the 50+ real estate market? Like Gen Xers, Millennials may be involved in the decisions about where and how their parents or older relatives will live.

Millennials are direct, to the point and transparent. A casual and conversational approach works better than formal meetings and counseling efforts should be woven in seamlessly throughout the conversation. Millennials expect a mutual exchange of information with feedback, recommendations, and options.

Technologically savvy, multi-tasking Millennials are hyper-connected, can access information immediately, and often trust what they find online. They may look up property data on smart phones during showings and text friends for feedback during or in-between showings. They may post status updates on social networking sites describing the home search in quick, emotional posts. Discussions follow, and advice or words of caution are easily exchanged for all to see and consider fact. They tend to trust friends' advice and opinions, even if unwise, and take the word of an "expert" or "salesperson" with a grain of salt unless they come recommended (or until they've proved their value).

MILLENNIALS BUYERS AND SELLERS

It is important to educate and guide Millennial buyers in a subtle and respectful manner. Don't assume that because Millennials have access to information that they have complete knowledge about the process. If you are a Gen Xer or Baby Boomer, don't make the mistake of treating Millennials like they were your kids or grandkids. Treat them as equals and what they are— important influencers in the real estate decisions of their older family and friends.

- Don't have pre-conceived ideas about real estate professionals.
- Assume you are just another service provider until you prove your skills and value.
- Expect you to demonstrate credibility and a professional image right off the bat. They will respect you, but you must earn it.
- Will accept a casual relationship once you establish a rapport.
- Want you to be an expert on them.
- Assume you will provide valuable information for them or will be able to find it.

GENERATION Z

FORMATIVE EVENTS

- 9/11 terrorist attacks (2001)
- Virginia Tech shooting (2006)
- Great Recession, foreclosures (2007-08)
- Covid-19 Pandemic (2020)

NAR estimates that Generation Z—sometimes referred to as Zoomers—represents a small share—about two percent—of home buyers and sellers. The leading edge of the generation (born in 1995, age 27 in 2022) are just entering their young adulthood and the prime home owning years. So why include them in this study? Generation Z may be involved in elder family members' real estate decisions or a consideration in a transaction such as adult child still living with parents.

Generation Z is the most racially and ethnically diverse generation in U.S. history and Zoomers see this as a good thing. In fact, diversity in all its forms just doesn't register with them because it's just how it is. They are also on track to be the most well-educated of the generations.

Despite their general optimism, Generation Z's world has always felt unsafe with school shootings, random violence, bombings, and terrorism part of their formative years. Furthermore, the covid pandemic dealt a very hard economic hit to Generation Z. They expected to graduate from high school and college into an era or prosperity, but instead have faced economic disruption and unemployment.

As digital natives, it's not surprising that Zoomers spend several hours a day interacting with their smartphones and don't mind the incessant newsfeed, text, chat, and popup interruptions that annoy older generations. Consequently, many Zoomers are lacking on social skills and have developed a tendency to always look down, which older generations may view as disrespectful.

Impatient Zoomers expect instant interaction and instant information, which they process quickly. They are independent, pragmatic, entrepreneurial, and very financially aware and focused.

As consumers, they are swayed by recommendations of friends and influencers. Social commerce (use of social media to promote and sell products and services) resonates with Generation Z. Traditional marketing methods—print, radio, TV—don't reach them.

COVID—A Shared Formative Event

All of the living generations experienced the Covid pandemic, but how they experienced differs between older and younger generations. Silents and Baby Boomers may see the pandemic as a once in a lifetime event while Millennials and Zoomers see it as an event that can and likely will happen again.

Some impacts were felt by all age groups. For example, quarantining and restrictions on gatherings caused cancellation of life's special moments, milestones—birthdays, graduations, weddings, and holiday get togethers. The common courtesies of everyday life such as smiles and handshakes were replaced by masks, social distancing, and elbow bumps. Younger generations, however, experienced job loss as businesses closed and school closures. As shut-downs forced business and school closures, many Millennials and Zoomers moved back to their parents' homes. In fact, a study by Pew research found that by midsummer 2020, more than half (52%) of young adults age 18–29 lived with one or both parents; a number not seen since the Great Depression.[21]

Suddenly, everyone was at home and both businesses and schools quickly adapted to stay-at-home orders with remote work and learning. Older generations, particularly the very old and home bound, faced the challenge of obtaining life's necessities, such as food and medicine, help with daily life.

Beyond, individual experiences, with more than one million deaths attributed to Covid, overall life expectancy in the United States has dropped by 2.41 years since the start of the pandemic. Black, Native American, and Hispanic communities experienced even greater drops in life expectancy

Figure 1.14: U.S. Life Expectancy by Recent Years

Year	Average Life Expectancy
2019	78.85 years
2020	77.3 years
2021	76.44 years

21 Richard Fry, et al., "A Majority of Young Adults in the U.S. Live With Their Parents for the First Time Since the Great Depression," Pew Research Center, September 2020. https://pewrsr.ch/351SVs1.

A NEW NORMAL?

When will life return to pre-pandemic normal? The answer is probably never, as a new normal emerges. As the virus continues to evolve, the world will likely experience waves of illness similar to seasonal flu. Understanding of the disease, remedies, and preventive measures will evolve too.

One of aspect of daily life that evolved quickly is the quick adoption of online communication over apps such as Zoom. Zoom replaced the office conference room, the schoolroom, and the doctor's office. The way we socialize moved online too with online birthday parties, baby showers, and even funerals. Remote work quickly became the norm for many workers who are now reluctant to give up the advantages of working from home, such as more time with family and less time spent commuting. Telemedicine, in particular, has been embraced by both healthcare professionals and patients. Life goes on in spite of the continued presence of Covid presence, but the way we live our everyday lives and what we accept as normal has evolved quickly and permanently.

Exercise: Where Do You Fit?

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

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

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

4. **How do the generational differences affect communications in your family and office?**

MODULE 2:
21st Century Retirement

AFTER COMPLETING THIS MODULE, YOU WILL BE ABLE TO:

- Learn about the physical aspects of aging in order to better understand and serve the 50+ market
- Recognize the relationship between health and activity status and housing choices.
- Apply knowledge of the age-based homeownership cycle in order to help clients and customers find homes that fit their preferences, life stage, and needs.

What is the ideal retirement? How has the concept of retirement evolved as it was lived by the GI and Silent generations and now the Baby Boomers? Do realities match most retirees' dreams of how they want to spend their post-career years? How do economic disruptions impact retirement plans? And how do these forces shape retirees' housing choices? This module focuses on these questions. Before delving into these issues, let's take a minute to talk about your retirement dreams.

When you think about your retirement, how do you envision spending your post-career years? What makes for the ideal retirement lifestyle? Who is your role model for the perfect retirement? Your parents, a friend, a colleague, an adventurous aunt, or someone else?

Changing Concept of Retirement

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. Life expectancy for Americans is now 77 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" and a time for reinvention and redefinition.

SILENT GENERATION RETIREMENT

The mature (GI and Silent) generations broke the old-age stereotype of retirement as a time to while away the hours sitting in a rocking chair on the front porch and watching the world go by. For these generations, the ideal retirement was a total withdrawal from the workplace for a life of endless leisure in a warm climate. For many mature generation retirees, defined benefit pensions and GI bill veteran benefits provided the financial security to make the dream a reality. Developers responded by building the planned retirement communities in warm weather locations—oceanside and desert.

BABY BOOMER RETIREMENT

For the forever-young, rule-breaking Baby Boomers, retirement is life's second chapter. As they have every phase of life, Boomers are reshaping retirement. Most of the retirement institutions in place today—health care delivery, government programs, and expectations such as age milestones—were designed for the mature generations' concept of retirement. Boomers, on the other hand, expect these retirement institutions as well as products, services, and housing to adapt to their lifestyle.

How does Boomer retirement differ from the mature generations? Boomers are reinventing retirement by reinventing themselves. They see their retirement years as an opportunity for personal growth—a concept that doesn't resonate with the mature generations. For Boomers, leisure time is an opportunity for pursuing new interests and experiences. And unlike, their predecessors, many Boomers make a gradual withdrawal from the workplace and career, continuing work relationships with employers and transitioning from full-time to part-time to full retirement.

GEN X RETIREMENT

Gen Xers envision a lifestyle similar to Boomer retirement with a phased transition from the workplace. About half (44%) "workers envision a phased transition into retirement during which they will reduce work hours with more leisure time to enjoy life (27%), or work in a different capacity that is less demanding and/or brings greater personal satisfaction (17%).Generation X (26%) are more likely to envision continuing to work as long as possible, compared with Baby Boomers (21 percent) and Millennials (19%)." [22]

The Retirement Journey

For an increasing number of Americans, retirement is more a journey spanning several years and phases than a destination reached at age 65.

Three trends are reshaping retirement for 21st century Americans:

- Delayed Retirement
- Phased Retirement
- Unretirement

DELAYED RETIREMENT[23]

- **26.6%:** Percentage of population age 65–74 in the workforce 2020 (23% in 2010)
- **8.9%:** Percentage of population age 75 and older in the workforce 2020 (7.4% in 2010)
- **32%:** Projected number of people age 65–74 who will be active workforce participants in 2030
- **12.3%:** Projected annual growth rate (2020–2030) for workforce participants age 55 and older (3.6% for workers age 65–74)
- **16 million:** Projected number of active workforce participants age 65 and older in 2030

22 *20th Annual Transamerica Retirement Survey of Workers*, Transamerica Center for Retirement Studies® (TCRS), May 2020, https://transamericacenter.org/retirement-research/20th-annual-retirement-survey.

23 Table 3.1 Civilian labor force by age, sex, race, and ethnicity, 2000, 2010, 2020, and projected 2030, Employment Projections program, U.S. Bureau of Labor Statistics, September 2021, https://www.bls.gov/emp/tables/civilian-labor-force-summary.htm.

Although older workers comprise the smallest percentage of the workforce, they are the fastest growing group according to the Bureau of Labor Statistics. A combination of factors keeps workers on the job past the traditional age-65 retirement milestone.

- **Social Security Rules**
  Social Security rules encourage workers to stay on the job until they are old enough to receive full benefits. Those born between 1943 and 1954 reach eligibility for full Social Security benefits at age 66. Those born in 1960 or later must stay on the job until age 67 for full benefits. Working past eligibility age—up to age 70—earns credits that boost social security benefits. Furthermore, a significant number of older workers need to work to make ends meet.

- **Education and Health**
  "Better education and health have increased older adults' employment prospects, jobs have become less physically demanding, and Social Security and pension rule changes have made work more financially rewarding at older ages. Working longer boosts lifetime earnings, increasing Social Security credits and the amount of resources workers can use to save for retirement. It also shrinks the retirement period, so retirement savings do not have to last as long." [24]

- **Staying Active**
  Money is not the only motivator for staying on the job after reaching retirement age. Most older workers say they continue working to stay active and involved and because they enjoy their jobs.

24 Johnson, Richard and Karen E. Smith, "How Retirement Is Changing in America", Urban Institute, February 2016, https://www.urban.org/features/how-retirement-changing-america.

PHASED RETIREMENT

Instead of making an abrupt exit from the workplace some workers retire in steps from full- to -part-time employment to eventual full retirement. During a few years, they transition gradually through a series of bridge jobs from full-time to part-time employment to full retirement.

Because few workplaces have a formal phased retirement process, employers tend to work out ad hoc arrangements with valued employees. A phased-in retirement arrangement can fill in the potential gaps when the employer can't find a new hire with the right skill mix. The employer keeps the worker's experience, skills, and knowledge on the job and the retiring employee stays active and continues to earn income.

UNRETIREMENT

About three in ten workers unretire within six years of retiring.[25] Retirees return to the workplace for the same reasons that others delay or transition to retirement.[26]

25 The University of Michigan Health and Retirement Study (HRS), a longitudinal study supported by the National Institute on Aging (NIA U01AG009740) and the Social Security Administration, January 2017, https://hrs.isr.umich.edu/about/data-book.

26 Nick Bunker, "Unretirements' Continue to Rise as More Workers Return to Work," Hiring Lab Economic Research, April 2022, https://www.hiringlab.org/2022/04/14/unretirements-rise.

Housing Choices

How do 21st century retirement trends and experiences impact housing choices? How do trends affect the decision to buy or sell, age in place or move to another location?

When continued work is an economic necessity, proximity to employers who hire older workers becomes a compelling factor for choosing a retirement location. For about one in five (21%) of both Boomers and Gen Xers, availability of employment opportunities is a very important factor in choosing a retirement location.[27]

On the other hand, remote work trends, spurred by the Covid-19 pandemic, untether retirees from a specific workplace location. An analysis of U.S. Census Current Population Survey data by the Center for Retirement Research at Boston College estimated that almost half (47%) of jobs held by workers age 65 and older could be performed remotely.[28] The ability to work from home correlates with higher levels of education, an important indicator of lifetime wealth accumulation. The significant percentage of retirees who want to continue working can do so from home—wherever home is.

Impact of Economic Events at Life Stages

Each of the adult generations in their mature or middle-age years have experienced economic shocks and setbacks occurred during peak earning years or nearing retirement. For example, between June 2007 and November 2008, Americans lost a quarter of their collective net worth as plunging house prices wiped out home equity.

FINANCIAL CRISIS OF 2007–2010

How did the financial crisis of 2007–2010 impact retirees? Research by Transamerica found that most retirees experienced a decline in the value of their investments and home. Despite the slow recovery, about half of Baby Boomers report that they have fully recovered or were not impacted, but more than a third (35%) have recovered only somewhat and 15 percent say they have not recovered and likely never will.

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27 *20th Annual Transamerica Retirement Survey of Workers*, Transamerica Center for Retirement Studies® (TCRS), May 2020, https://transamericacenter.org/retirement-research/20th-annual-retirement-survey.

28 Chen, Anqi and Alicia Munell, *Can Older Workers Work from Home?*, Center for Retirement Research at Boston College, June 2020, No 9, https://crr.bc.edu/wp-content/uploads/2020/06/IB_20-9.pdf.

Among Gen Xers and Millennials, about one in five (21%–23%) feel they have not yet recovered fully and never will.[29]

Delaying or phasing in retirement or returning to the workplace may be the result of efforts to recover financially, pay down debts, and restore the nest egg lost during the financial crisis.

COVID-19 PANDEMIC

Families who had yet to recover from the 2007-2010 Great Recession faced a new challenge with the economic impact of the Covid-19 Pandemic which began in the Spring of 2020.

Facing job layoffs and furloughs brought on by the pandemic-related business shutdowns, older workers may have opted out of the workforce and retired earlier than planned. Facing uncertainty on returning to work as well as greater risks if they fall ill with Covid-19, a significant number of older workers decided the time is right to retire.

Early retirees who have not reached the full-benefit age for Social Security face a lifetime of reduced benefits. In addition, if they have dipped into retirement accounts for a loan or early withdrawal, the potential growth of long-term savings in 401k and pension funds was considerably diminished.

While Boomers may have abruptly ended their work life by early retirement, Millennials faced delays in launching their careers and dependence on their parents for financial support. Many millennials were at the threshold of careers when the Great Recession hit and faced another period of career disruption while still saddled with student loan debt. Some retirees who with stable—possibly higher—incomes than younger family members stepped in to provide financial support for their adult children experiencing job losses and career derailment due to the pandemic.

When adult children live under the parental roof, instead of downsizing or moving to a dreamed of retirement locale, parents may decide to stay put or even upsize.

29 *20th Annual Transamerica Retirement Survey of Workers*, Transamerica Center for Retirement Studies® (TCRS), May 2020, https://transamericacenter.org/retirement-research/20th-annual-retirement-survey.

Figure 2.1:
Generational Ages Corresponding to Economic Downturns

Year	Event	Silents	Baby Boomers	Gen X	Gen Y	Gen Z
1973	Oil embargo, energy crisis	48–28	27–9	8–	—	—
1979	2nd energy crisis, S/L failures	54–34	33–15	14–3	2–	—
1987	Black Monday stock market crash	62–42	41–23	22–11	10–	—
2000–2001	Dot.com bubble, September 11th	75–55	54–36	35–25	23–6	5–
2007–2010	Great Recession Subprime mortgage crisis, housing bubble, foreclosures	82–62	61–43	42–31	30–13	12–
2020	Covid-19 Pandemic	75–95	56–74	44–55	26–43	10–25

MODULE 3:
Life Stages

AFTER COMPLETING THIS MODULE, YOU WILL BE ABLE TO:

- Consider how economic challenges affect retirement plans.
- Identify issues and factors that influence older adult's decisions to sell or buy a home and choose a community.
- Adapt marketing and prospecting methods to serve the 5o+ real estate market

Although generalizations cannot substitute for understanding individual clients or customers, they can help you be aware of the concerns, circumstances, and conditions of their lives and choices. Ask yourself: am I aware of how the physical changes of aging affect mature adults and the elderly? Do I know how to adapt services?

The Client Across the Desk

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. Negative attitudes about aging and stressful life events, such as the death of a loved one or financial hardships, can accelerate the aging process.

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 visits from grandchildren, 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 issues?**
  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.

- **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 the loss of a spouse or a disabling illness. 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.

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 (ADLs) or social interaction. Depression can be mistaken for cognitive impairment.

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

- **Hearing:**
  Hearing impairment usually starts with loss in the higher register tones and works its 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.

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.

Figure 3.1: Self-Reported Health Status of Good to Excellent[30]

Age Range	% Reporting Good/Excellent Health
Age 65–74	80%
Age 75–84	75%
Age 85 and older	68%

There's good news about aging. A long lifespan 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 contributes to successful aging, as does respect for the body through daily exercise and a healthy diet.

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. "Individuals' beliefs about their own health status also have been found to influence their expectations of retirement and the retirement process itself."

Even though medicine has made significant advances during the lifetime of the health-conscious Baby Boomers, they are aging into their senior years with higher rates of disability and chronic disease—hypertension, high cholesterol, obesity. On the plus side, boomers are less likely to smoke and experience lower rates of emphysema and heart attack. [31]

30 "2020 Older Americans Update: Key Indicators of Well Being," Federal Interagency Forum on Aging, www.agingstats.gov.

31 King, Dana, MD et al., "The Status of Baby Boomers' Health in the United States: The Healthiest Generation?" *Journal of American Medical Association Internal Medicine*, Vol 173 (No. 5), www.jamainternalmed.com.

Although overall disability rates among the 65+ population have declined in the past 20 years, the Baby Boomers are entering senior and retirement years in worse shape than previous generations. On the other hand, boomers—the "forever young" generation—have higher expectations than earlier generations; for their grandparents and parents, aches and pains were a natural part of aging.

HOW OLD IS "OLD"?

At what age does a person move from middle-aged to "old"? Not surprisingly, as we pass more birthdays, the age we consider old rises. A survey by the TransAmerica Center for Retirement studies asked workers at which age they consider a person to be old.[32]

- Millennials say age 60 (median) is old
- Generation Xers say age 70 (median) is old
- Baby Boomers say age 85 (median) is old

Does "old" depend on the person? About two-thirds (61%)of Baby Boomers say yes. About half of Gen Xers (48%), and less than a bit more than a third (39%) of Millennials agree.

32 *20th Annual Transamerica Retirement Survey of Workers*, Transamerica Center for Retirement Studies® (TCRS), May 2020, https://transamericacenter.org/retirement-research/20th-annual-retirement-survey.

The Three-Phases of Retirement and Aging

Although everyone has their own timetable for aging, one way to view the post-retirement years is in terms of activity level. In general, three stages and usual age ranges are:

- **Go-Go Years:**
  Retirement-age – 75
- **Slow-Go Years:**
  Age 75 – 85
- **Slower-Go Years:**
  Age 85 – up

Age alone is not always the best indicator. You probably know a young 80-year-old or an old 60-something. Declining health and physical stamina are better markers of the transition from one stage to the next as an aging body signals the need to slow down. Although a gradual transition from one phase to the next is preferable—and how most envision their aging years—a sudden health crisis can quickly change go-go or slow-go years to slower-go. Spouses and partners may age at different rates and a sudden health crisis for one spouse or partner is a crisis for both.

THE GO-GO YEARS

At the start of the third decade of the 21st century, young Baby Boomers and older Generation Xers make up most of those in their go-go years. What do retirees do in the go-go years? The go-go years—the most active—are a time for checking items off the bucket list. Retirees in the first phase often say that they are busier than then they were working. These years are a time for traveling, starting new hobbies, launching an encore career, spending time with family and friends, and trying out retirement dreams.

THE SLOW-GO YEARS

The oldest Baby Boomers and Young Silent Generation members tend to make up this group. The second phase may not be that different from the previous one, but activity slows down in the middle phase. Relationships with family and friends and maintaining ties with the community are an important part of satisfaction with life in the slow-go phase.

THE SLOWER-GO YEARS

The third phase includes older Silent generation members although members of the preceding generations may be in this group based on health condition. It becomes physically challenging to maintain the activity level of the earlier years. Reliance of family for physical, emotional, and sometime financial support becomes more important.

LIFE PHASES IMPACT HOUSING CHOICE

These life stages have a major influence on housing choices. The decision to upsize, downsize, age in place, move closer to friends and family or to a "dream" retirement location all depend to a large degree on health and activity level. In the following chapters we'll take a closer look at how these life phases relate to housing choices.

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 economic shocks. 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 to 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 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.

- **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 the direct mail pieces they receive, which makes direct marketing an effective method for reaching the mature market.

Prospecting Strategies

- 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 law 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.

Lawful Target Marketing

By Nan Roytberg
Former Associate Counsel, National Association of REALTORS® [33]

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?"

33 Reprinted from REALTOR® Magazine with permission of the National Association of REALTORS®.

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 non-membership—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.

The FORD Interview

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, providing you an opportunity to describe your services and special skills and knowledge.

Exercise: FORD Interview

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?

The Big Questions

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.

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? Email?
- 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?

Exercise: The Real Meaning

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.**

Exercise: You're Too Old for That!

What does it mean to "act your age?" At what age is a person too old to do the following?

Activity	Age
▶ **Worry about your appearance and what others think**	
▶ **Use slang words popular with younger people**	
▶ **Take part in a protest march**	
▶ **Start a new hobby**	
▶ **Drive more than 500 miles**	
▶ **Roller skate or ice skate**	
▶ **Ride a bike**	
▶ **Wear a bikini or speedo at the beach**	
▶ **Give in to peer pressure**	
▶ **Dress in costume for Halloween or Carnival**	
▶ **Fall in love**	
▶ **Eat cotton candy**	
▶ **Do jumping jacks and push ups**	
▶ **Attend an outdoor music festival**	
▶ **Square dance**	
▶ **Display athletic trophies**	
▶ **Run/walk a 5K race**	
▶ **Take selfies with a phone**	
▶ **Get a tattoo**	
▶ **Participate in social media such as Twitter or Facebook**	
▶ **Eat a banana split**	

MODULE 4:
The Go-Go Years

AFTER COMPLETING THIS MODULE, YOU WILL BE ABLE TO:

- Develop services that win and sustain client and customer relationships and position you as a trusted real estate advisor.
- Research housing options and planned communities for active seniors in your market area and opportunities for real estate professionals.
- Keep up to date on housing trends and smart home adaptations for the 50+ market.

The go-go-retirees use the combination of good health and newfound freedom from the workplace to follow their retirement dreams. For the Baby Boomers who make up most of the go-go group, this "second half" of life is about pursuing new interests and ticking items off of the bucket list. Not every retirement dream is glamorous as travel to exotic locations or as ambitious as starting a new business. Spending time with the family, especially grandchildren, is high on the list of retirement dreams. An important part of creating a new lifestyle is deciding where and how to live. Most retirees want to age in place in their current homes or location. A significant percentage, however, intend to be on the move to live closer to family or flee cold climates.

Retirement Moves

Retirement is a significant reason for making a move. Boomers (15%) and even older Generation Xers (13%) cite retirement as a reason from purchasing a different home.[34] What changes are they seeking when they sell a current home and purchase a new or previously owned one? On the surface, it appears that not much changes.

The most frequently type of home sold is a three-bedroom, two bath suburban home of about 2000 square feet. The most frequently purchased type of home is the same—three-bedroom, two-bath suburban home of 2000 square feet for Gen Xers and Boomers, about 1600 square feet for Silents. In terms of location, the median distance of the move is about 20–35 miles.[35]

Although Silents may downsize, Boomers and Gen Xers may upsize to provide room for elder family members, adult children who continue to live with their parents, or grandchildren for whom they have responsibility. Even those who want to downsize may face daunting lack of inventory, price increases, and a dearth of small homes on the market.

Looking a bit closer at what buyers want shows that both Boomers (23%) and Silents (17%) opt for new homes because of less repair and maintenance needs. The go-go retirees don't want to be burdened with a lot of home maintenance and repairs. And almost a third of both groups (30%) choose new homes because of the ability to customize features.[36]

About 19 percent of Baby Boomers are interested in senior communities. Considering the size of the generation, even the small percentage represents a huge market.[37] The go-go retirees, however, aren't interested in senior communities as a peace-of-mind option—rather , they want a place to live where they can continue to thrive and grow in their later years.

34 2022 Home Buyer and Seller Generational Trends, National Association of REALTORS® Research, https://cdn.nar.realtor/sites/default/files/documents/2022-home-buyers-and-sellers-generational-trends-03-23-2022.pdf.

35 Ibid.

36 Ibid.

37 Ibid.

Active Adult Communities

A distinguishing feature of active adult communities is that the decision to live there is driven by lifestyle choices, not needs. Buyers who opt for an active adult community see it as a launching pad for taking advantage of community activities, particularly wellness and lifestyle amenities.

They want to take advantage of the amenities that attracted them to the community, but don't need the community to be self-contained. Their parents may have wanted everything contained within the gates of the community, but Baby Boomers are more interested in exploring and engaging in the surrounding community.

AFFINITY COMMUNITIES

Communities designed around a particular interest or lifestyle are known as affinity communities Part of the appeal of affinity community is that residents share a vision or lifestyle that enables forging of friendships quickly.

Examples of niche communities include:

- Spruce Creek Airpark near Daytona Beach
- Florida Latitude Margaritaville communities based on the laid-back style and music of Jimmy Buffet.
- University based retirement communities (UBRCs), such as Kendal at Hanover at Dartmouth College, Holy Cross Village at Notre Dame, or Oak Hammock at the University of Florida offer access to university-level life-long learning and cultural events.
- Fountaingrove Lodge in Santa Rosa, California, a LGBTQ+ community
- Enso Village in Healdsburg, California, a community focused on Zen values appreciation of nature, and environmental stewardship
- Burbank Senior Arts Colony in Los Angeles for former professional musicians, actors, writers, and
- Nalcrest in Polk County, Florida a community for retired U.S. Postal letter carriers

IS AN ACTIVE ADULT COMMUNITY THE RIGHT CHOICE?

An active adult community isn't the right option for every retiree. Weighing these pros and cons may help make the right choice.

Advantages

- Lots of activities
- Easy to meet and make new friends
- Community of like-minded people
- Walk, bike, or take a golf cart where you need to go, no driving
- No noise or disturbance from younger people
- Home that meets your lifestyle and age
- Strong HOA regulations govern the community

Disadvantages

- Lack of diversity
- Overly restrictive HOA rules
- Cost of fees and assessments
- Not a good atmosphere for someone who isn't a joiner
- Less privacy
- Need to drive to reach urban areas, city center

AMENITIES, ACTIVITIES, SERVICES

A gated security, a clubhouse and a swimming pool are a given. Walking and biking trails are the must-have amenity for active communities. Attracting today's go-go retiree requires move creative and innovative options.

Staying Fit and Active

- Pickleball courts, pickleball tournaments
- Fully equipped fitness centers and wellness rooms
- Conference rooms with video conferencing for remote work
- Community gardens with potting shed
- Fully stocked lake for fishing
- Private beaches
- Golf simulators

- Equestrian centers with horse stables, riding lessons, and group rides
- Mountain bike, kayak, and canoe outfitters
- Yoga gardens
- Marina with boat slips and dry stacks
- On-site self-storage for boats and RVs

Learning New Skills and Hobbies

- Classes to learn new skills and lectures about interesting topics
- Lessons centering on hobbies and crafts
- Field trips and cultural programming
- Cooking classes curated by local chefs in demonstration kitchens

Enjoying Personal Services

- Concierges and resident experience directors
- Dog parks and events for pet lovers
- Full-service beauty salons and spas
- Meal delivery programs

Entertaining and Dining

- Gourmet markets and coffee shops where residents can pick up items for home entertaining
- Selection of restaurants—casual poolside cafe, upscale restaurant, private chef's table
- Private dining
- Wine and liquor lockers
- Gourmet grilling stations

Making New Friends and Socializing

- Town centers as the social hub instead of clubhouses
- Green event spaces which can be reserved for large parties
- Sports bars, "man caves" include billiards, darts, shuffleboard, poker, and sports on flat-panel TVs
- Outdoor barbecues with live entertainment, rooftop decks with fireplaces
- Wine tastings

BABY BOOMERS—THE LAST GOLF GENERATION?

The National Golf Association reported closing of 130 golf courses and opening of 12 new ones in 2021. Although the number of golf courses nationwide continues a downward trend, golf enjoyed a 2020 boost as one of the few sports that remained available for play during the pandemic.[38]

Baby Boomers and Generation Xers tend to place higher value on the exclusivity and luxury associated with country clubs and golf. Millennials have little interest in golf because it doesn't offer the experience they prefer. Golf is difficult to learn to play well, has complicated rules, takes several hours to complete the course. Add the expense of equipment, club membership, green fees, and cart rentals, and the cost outstrips the budgets of cash-strapped Millennials. Millennials value inclusiveness and want to share their experiences with as many friends as possible plus they may perceive golf as lacking in diversity. They value ease, speed, and efficiency plus instant gratification in their endeavors—all qualities lacking from golf.

IS THE GOLF COURSE "IN THE GREEN"?

Buyers who are interested in a golf-centered community should pay careful attention to the financial health, ownership, and management of the golf course. An owner other than the HOA, it could decide that it is no longer economically feasible to maintain it and close it up—the result a dead golf course. When the course closes, homes surrounding the golf course lose substantial value overnight. If the HOA takes over the course, it may make dues mandatory for everyone with substantial increase in HOA dues to support the amenity and maintain property values. The HOA can wait—and hope—that another entity will purchase and operate the course, but if a course remains untended for any length of time, regrooming it for play can be an expensive operation.

38 "More good golf news: Course closings continue to decline, slowing a 15-year trend," Golfweek, February 2022, https://golfweek.usatoday.com/2022/02/12/national-golf-foundation-course-closure-rate-continues-decline.

Choosing the Right Location and Community

The time to start the process of selecting a location, whether in an active adult community or other type of community, is several years before retirement. During those years, vacation trips can include visits to potential locations and communities. When the time comes, a fully informed choice can be made, and mistakes avoided. As choices narrow down, it's a good idea to arrange a trial stay of a few days or longer, talk to others who live there, and take part in some activities.

RETIREMENT PLANNING ON A 3x5 CARD [39]

1. **Start Early:** You can't make up for lost savings if you start too late.
2. **Fit expectations to reality:** Prepare a budget with income and expenses to you know where you stand.
3. **Follow your dream:** Most are possible if you plan for it.
4. **Check out places to retire:** Visit places while you are still working to find the one that fits your dream.
5. **Know what you are going to do all day:** Don't make the mistake of retiring without a direction.

39 Adapted from "Announcing Your Retirement Plan on a 3 x 5 Card," Top Retirements, http://www.topretirements.com/blog/retirement-planning-2/the-3-x-5-index-card-guide-to-retirement.html.

Marketing and Outreach

Is your marketing approach aging? Too old? Go-go retirees probably don't see aging as part of their self-image. 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 version of Scrabble stresses the ease of using the product and says nothing about the age or ability of the user.

The go-go clients and customers are generally not need-driven or in a hurry but when they are ready to make a move they want and expect expert services, thoughtful advice, and timely responses. They don't expect emotional support or hand-holding but they do expect the real estate professional to represent their interests and manage the process. Technology is a basic need, and they're quite comfortable using a variety of media and apps.

THE REAL ESTATE PROFESSIONAL SHOULD

- Emphasize your network of experts.
- Be able to back up knowledge with experience and credentials.
- Provide the highlights.
- Inspire loyalty by demonstrating what you can do for them.
- Adapt communications to their preferences.
- Appeal to the active lifestyle.

Exercise:
Market Outreach to the Go-Go Retiree

Your instructor will divide the class into groups. Based on your knowledge, experience, and perceptions of working with go-go retirees, brainstorm the marketing questionnaire and record your responses.

MARKETING QUESTIONNAIRE

- 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 events would they be interested in knowing about or participating in?
- What marketing efforts will be visible where they live, work, and play? Billboards? Bulletin boards? Flyers? Online? Social media?
- What magazines, newspapers, websites, blogs, and other media are they reading or listening to?
- What type of information would be of interest and helpful to them?
- How do they use the Internet? Mobile phones?
- Who do they rely on for advice and business contacts, and how could you connect with these people?
- Does your market have 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?

Your Value Proposition

What does your marketing say about you as a real estate professional, your specialty, the services you provide, and how you conduct your business? [40]

- **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 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 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.

40 Adapted from Resort and Second Home Markets, National Association of REALTORS®.

Exercise: Your Value Proposition—Why Choose Me?

What is your value proposition for the go-go market? Think of the services, expertise, qualifications, experience, and other qualities that distinguish you from competitors.

- **How would you express these in terms of client service?**
- **Write a tagline (10 words or less) that communicates your value proposition to go-go buyers or sellers.**

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 woodworking 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 group of close friends. 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?

MODULE 5:
The Slow-Go Years

AFTER COMPLETING THIS MODULE, YOU WILL BE ABLE TO:

- Alert clients and customers interested in age-restricted communities of eligibility requirements, regulations. and restrictions.
- Research senior-oriented communities, developments, and housing options in your market area and opportunities for real estate professionals.
- Counsel sellers on preparing and staging a property for sale and suggest strategies for downsizing and decluttering.

The slow-goers are generally in the 75-85 age range—mostly the Silent Generation and possibly the oldest Baby Boomers. Of, course, health conditions can necessitate a slower pace regardless of age. If the theme of the go-go years is "always active, always on the go," the theme for the slow-go years could be characterized as "been there, done that."

The Slow-Go Life Stage

How does the lifestyle of the slow go years differ from the go-go years? This phase may look like the preceding one. Slow goers may continue many of the activities and interest of their more active years but just at a slower pace and downsized scope. They may trade a two-week road trip for a long weekend or a group tour or forsake the mountain bike trails for walking trails.

Living close to family and friends increases in importance. Retirees who moved to a warm weather location upon retirement may think about moving closer to family. Their adult children, focused on their own lives and careers, carve out less time to spend with their parent, even in a resort location. For their teenage grandkids, summer vacations with the

grandparents don't hold the same appeal. Slow-goers move may be to a milder climate, "half back" location closer to family.

The slow-go phase is also a time to start looking ahead and planning for the next life stage. For those planning to age in place, it's time to assess the suitability of the current home and do any needed remodeling. Or, start the transition to a different home and a more supportive living environment.

Maintaining Independence

Although life may start to slow down during these years, those in this life stage are active, socially involved, and still on the go—just at a slower pace. Maintaining the ability to go where slow-goers want to go, when they want to go there and on their own is an important during these years as during the go-go years. Mobility is an important factor in maintaining independence and social involvement, as well as accessing essential services and even needed medical treatment.

Even though some older adults drive safely into their eighth and ninth decades, a study by the National Institutes of Health found that on average, drivers age 70–74 continue driving for 11 more years.[41]

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 for family to talk 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 about the course visit www.aarpdriversafety.org. Find information about hosting an AARP Driver Training Course at www.aarp.org/auto/driver-safety/host-event.

41 Foley, Daniel J. et al., "Driving Life Expectancy of Persons Aged 70 Years and Older in the United States," American Journal of Public Health, August 2002, Vol 92, No. 8. https://www.ncbi.nlm.nih.gov/pmc/articles/PMC1447231.

Starting to Downsize

The transition from a very active pace of life to a slower one may signal the right time for moving to a smaller home with fewer maintenance needs or a more age-supportive community.

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 accumulation 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 closer 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"

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.

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 about resources, services, and expert guidance including a trustworthy provider list, or team of professionals, who are backed by the Better Business Bureau (BBB).
- Provide your credentials to build trust in your expertise.

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 might be juggling career and family demands and are 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 sun room.
- Measure furniture to be moved to ensure fit.
- Ask if the facility—senior development, assisted living, continuing care—can provide space-planning assistance.

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**

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.

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.

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 the pain of breaking sentimental ties to the family home.
- **Ask children to sort items:**
  - Take now
  - Take next time
  - Give away
  - Throw away

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 while 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®), handle all the phases and tasks of downsizing, moving, decluttering, or disbanding a senior's home. They can sort through all 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® website at 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 also 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? [42]

- 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.
- Reorganize items into a limited number of categories—keep, sell, give away—to help initiate the process and make it easier to throw out items.
- Negotiate and compromise over what to keep or discard. It may be OK to keep the past couple of years' worth of accumulated magazines and discard the previous 10–20 years' worth.

42 Adapted from "Best Practices: Decluttering Tips," Weill Medical College of Cornell University, Department of Environmental Geriatrics, 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 that the home doesn't become re-cluttered.

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.[43] 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 at www.environmentalgeriatrics.org or the Cleveland Clinic.[44]

43 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.

44 "Hoarding Disorder," Cleveland Clinic, https://my.clevelandclinic.org/health/diseases/17682-hoarding-disorder

Age-Restricted Communities

An age-restricted community can be the right lifestyle choice for those who want a slower pace but still want to stay fit and enjoy facilities such as swimming pools, fitness rooms, and clubhouses.

Age-restricted communities provide an environment in which seniors can meet and make friends with people of the same age and enjoy the amenities 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, thus avoiding 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 HOAs, 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 (HOPA).

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 the owners. Federal law sets forth two levels of age-restricted housing:

- **55+ Housing**
  - 80 percent of units must be occupied by at least one person age 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 age 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 age 55+ occupant may, however, be absent for a time (vacation, hospitalization, or seasonal absence) without jeopardizing the exemption status of the community.

Working with Buyers and Sellers

The slow-go years may be a time when major life changes occur, such as sudden health changes or loss of a spouse of partner. Loss of a spouse is often a life event that brings about the sale of the family home and purchase a smaller home, a move to age-oriented housing, or a move in with children or other relatives. At age 75–84, the percentage of married couples living together drops to about half.

The real estate professional can help clients and customers and their families feel empowered to make a good decision by offering options and describing how others have made successful transitions. It's a time to listen attentively to the concerns and preferences of all the stakeholders and ask probing questions. If they were referred to you by a personal connection, affirm the contact by providing testimonials and your résumé highlighting your SRES® credentials.

DISCUSSION QUESTION

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

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?

Six Marketing Strategies for the 50+ Market

By: Mark Given, CRS, GRI, REALTOR®

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.

PHONE CALLS—USE THE FORD 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 group 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 works 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 about topics such as 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.

Seminars and Presentations

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.

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.

- **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 1-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 20–25 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 sponsors' support and specify what they have agreed to do. Be sure to integrate your sponsors' 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 you 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 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.

3-MINUTE BRAINSTORMING CHALLENGE

Topics	Sponsors
What topics would be interesting for mature adults and their families, Baby Boomers?	*What businesses and services want to reach the same prospects?*
Presenters	**Giveaways**
Who could you invite to as a presenter?	*What information and items would be memorable giveaways?*

1-MINUTE LIGHTNING ROUND: DO'S AND DON'TS

Write one do and one don't—in 10 words or less—for presenting seminars to the 50+ market.

- **Do:**

- **Don't:**

MODULE 6:
Aging in Place

AFTER COMPLETING THIS MODULE, YOU WILL BE ABLE TO:

- Acquaint clients and customers with desirable community and home features for aging in place.
- Help clients and customers evaluate the adaptability, safety, and suitability of a home for aging in place.
- Evaluate the livability of market area's communities and neighborhoods for aging in place.

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 often depends 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 their 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.

- **Go-Go Years**
  (No Urgent Needs)

  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.

- **Slow-Go Years**
  (Progressive or Chronic Health Conditions)

  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 or 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.

- **Slower Years**
  (Urgent Needs, Sudden Changes, Advanced Conditions)

  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.

Aging in Place: The Community

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: [45]

- 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 the places that people want to walk to
- 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 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.

45 Adapted from "Beyond 50.05: A Report to the Nation on Livable Communities," www.aarp.org.

AGING IN THE COMMUNITY CHECKLIST

When working with clients and customers, use this checklist to evaluate a community or neighborhood for aging in place. You should stress that all listed items should be considered and that you are not claiming expertise in all items (e.g., medical).

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—The Home

What makes a home suitable for aging in place? A survey of generational preferences by the National Association of Homebuilders found that Baby Boomers and Silents favor the following home features. [46]

- Suburban or near suburban location
- Single-family detached home
- 1 level, 2-car garage
- 3 bedrooms, 2–3 bathrooms, full bath on the main level
- Open kitchen and family room
- Separate living room
- Median size of 1,900 square feet or less
- Expected price of next home of $220,000

DISCUSSION QUESTION

- How does your community rate for support of aging in place?
- Check out the livability score of your community at AARP's Livability Index at livabilityindex.aarp.org.

46 *Housing Preferences Across Generations*, NAHB Economics and Housing Policy Group, Special Studies, March 1, 2016, https://wdn.ipublishcentral.com/ national_association_ home_builders/viewinsidehtml/746901096336991.

Universal Design Standards

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 [47]

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' space 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

47 Center for Universal Design, College of Design, North Carolina State University, https://design.ncsu.edu.

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 impaired vision

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

Checklist: 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 shower head 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?

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:

Figure 6.1: SAFE Aging Plan

	In the Community	In the Home
SAFETY	Does the neighborhood seem unsafe? Are elderly residents afraid to leave their homes? Is the neighborhood declining?	Does the home have elements that present risk, such as dim lighting, steep stairs, no hand rails, clutter, frayed wiring, or structural problems?
ACCESS	Are shopping and services accessible? Can the resident easily access essential services—grocery store, pharmacy, house of worship, medical services, or bank—without driving?	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?
FITS NEEDS	Does the community provide support for aging in place? Is the climate tolerable year-round?	Does the house still fit the needs of the homeowners? Can the owners handle the repair and maintenance needs of an older house?
EASE OF USE	Does the community infrastructure promote ease of movement?	Can doors and hallways accommodate a walker or wheelchair? Can home features be added or modified?

Opportunities for Real Estate Professionals

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, relocating to 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?*

MODULE 7:
The Slower-Go Years

AFTER COMPLETING THIS MODULE, YOU WILL BE ABLE TO:

- Distinguish between types of elder housing options that offer assistive services.
- Provide clients and customers and their families with helpful insights based on your experience of how others have made the transition to housing with assistive services.
- Research senior-oriented communities, developments, and housing options in your market area and opportunities for real estate professionals.

Older Silent generation members—age 85 and older—make up the slower-go group although younger people may be slower goers based on health conditions. The slower go years are a time of diminishing physical and sometimes cognitive ability and increasing frailty. The slower go clients are usually sellers making a last move to a living situation such as senior apartments, assisted living, continuing care or "all the way back" to live close by or with family.

In the best of circumstances, families have time to plan and accomplish a good transition for elders. A sudden health or life change, however, can necessitate a quick move and add time pressure to an already difficult situation. The real estate professional must be sensitive to the client's physical, cognitive, and emotional abilities as well as the family's concerns and priorities in order to complete a successful transaction.

The One-Century Client

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 3.3 million in 2030.[48] Although a relatively small percentage of the overall population, the increasing numbers of the very elderly will challenge societal institutions' adaptability, particularly in the areas of medical care, long-term care, and housing. Nonagenarians and centenarians generally keep a positive outlook and have an innate ability to "let go" of life's sad events.

Life Transitions

If the go-go years are a time of expanding interests and activities, the slower go years at the other end of the spectrum are a time of narrowing down as declining health and stamina necessitate staying closer to home and family. The nature of "home" may change too. It may be the time for selling a long-time home and moving in with family or selling the home in an active retirement community in order to live closer to family. Or, home may come to be an assisted living facility, a continuing care retirement community, senior apartment, or nursing home.

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 for 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.

48 *Projected 5-Year Age Groups and Sex Composition: Main Projections Series for the United States*, 2017-2060, U.S. Census Bureau, Population Division: Washington, DC., Release Date: March 2018. www.census.gov/data/tables/2017/demo/popproj/2017-summary-tables.

Time to Make a Transition?

The slower go years don't begin exactly on a person's 85th birthday. So, when is the right time to make a transition in living situation? The ability to perform key activities of daily living (ADLs) provides an objective standard to determine the right time for making a transition and choosing the right level and type of care. The list can 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 ADLs, a secondary list, are required activities for independent living; some examples are using the telephone, grocery shopping, doing laundry, and managing medications.

Up 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.

Home—Asset or Anchor?

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. The mature generations see their homes as the last place they would ever give up or risk. The Baby 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. A big question is whether they 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.

Often, the Silent Generation will be sellers before they become buyers. In many cases, they will be strictly sellers as they transition to senior apartment complexes, retirement communities, or family living situations.

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.

Although 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 sellers can identify solutions based on your recommendations, it is likely that they will work with you to achieve their goals.

Housing Options

Do current living situations match the needs for care, involvement of caregivers, affordable, able to care of.

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 accessory unit is to check whether 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.

ELDER COTTAGE HOUSING OPPORTUNITY

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, ECHO unit issues involve electrical, water, and waste disposal hookups and removing the unit from the property when no longer needed.

SENIORS APARTMENTS

According to U.S. Census data, about one in five 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)
- Ability to 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 seniors-only 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. Communities can encourage construction of low-income senior housing through incentives, tax credits, and zoning variances.

COHOUSING

Cohousing communities are better characterized by philosophy and lifestyle than by 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 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.

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.

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.

CONGREGATE LIVING

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 residents and check on their well-being. Medical care is generally not available, although staff may assist residents with self-medication.

Congregate facilities may have entry criteria for age and abilities as well as rules for 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.

PROGRAM OF ALL-INCLUSIVE CARE FOR THE ELDERLY

The Program of All-Inclusive Care for the Elderly (PACE) presents a model for delivery of coordinated elder care. Elder care is an umbrella term for the variety of services and care for those needing assistance with ADLs. 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

PACE was authorized by the federal Balanced Budget Act (BBA) of 1997. 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 ADLs, 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.

DISCUSSION QUESTION

Do you know what elder services are available in your community?

Assisted Living

About three-quarters of those age 85 and older report some degree of permanent limitation in performing ADLs.

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

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 an over-reliance on take-out food becomes apparent.
- Lethargy or fatigue replaces activity.
- Forgetfulness that causes peril, such as food left cooking on the stove, phone off the hook, bills unpaid, and medications skipped.

Continuing Care Retirement Communities

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: [49]

- **Type A/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.
- **Type B/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.
- **Type C/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.
- **Type D/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.

49 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.

Figure 7.1: Range of CCRC Fees by Contract Type[50]

	Type A *(Life Care)*	**Type B** *(Modified)*	**Type C** *(Fee for Service)*	**Type D** *(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–$4,3000	$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

Paying the CCRC entrance fee may use up a life's savings or the entire proceeds from the sale of a home. Like any major investment, it requires careful evaluation of the facility, its 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.

Some newer CCRCs have a buy-in fee which is the cost of purchasing the unit, similar to a condominium. The buy-in cost varies based on the size, location, and features of the unit. Health care and other services are paid separately. The buy-in is a purchase of real estate. The owner can sell, will, or deed the unit although a new owner would have to meet community eligibility requirements.

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 of 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 focused attention on CCRCs and published recommendations for state regulations and best practices. [51]

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

51 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)**
  ashaliving.org
- **Commission on Accreditation of Rehabilitation Facilities—Continuing Care Accreditation Commission**
  www.carf.org
- **Justice in Aging**
  www.justiceinaging.org
- **Leading Age**
  www.leadingage.org

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 or 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.

Nursing homes are an expensive and last resort for most families. Monthly costs can run more than $8500.[52] 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.

52 For up-to-date nursing home costs by geographic location, go to the Genworth website at www.genworth.com.

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 four 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

Residential care facilities for the elderly (RCFEs) provide more independence than a nursing home. They assist 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

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 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?

REGULATION OF CARE FACILITIES

Various 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 that long-term care facilities provide a 30-day written notice and discharge plan if it is determined that a resident can no longer remain there.

What Will Medicare or Medicaid Pay For?

Medicare will pay for a stay in a nursing home of up to 90 days that immediately follows a hospital stay of more than 3 days and focuses on recovery and rehabilitation. Medicare does not, however, pay for custodial or long-term care in assisted-living facilities. 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

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 qualifies for benefits) 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.

Every state offers multiple Medicaid programs for the elderly and each program has its own eligibility requirements. The Medicaid program has different names in different states. Although there are many variations among states, basic eligibility rules limit both assets and income. As a rule of thumb, liquid assets may not exceed $2,250 ($3,000 for couples in most states) and income may not exceed a capped amount or must be spent down on medical needs.

Per federal guidelines, home equity of $636,000 or more disqualifies an individual for Medicaid benefits. States have the option to set a higher home equity limit of $955,000 and California has no limit for married couples.[53] 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 the allowable amount of equity is a non-countable 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 can be lost.

53 Connecticut, Washington D.C., Hawaii, Idaho, Maine, Massachusetts, New Jersey, New York, Wisconsin have higher limits.

MEDICAID LOOK BACK

A person cannot immediately qualify for Medicaid by transferring or gifting assets to someone else, such as a child, because there is a five-year look-back period for eligibility.[54] 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. In most states, Medicaid will not kick in until all liquid assets are spent down.

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 expenses. States also recover payments made to permanently institutionalized individuals.

Medicaid recovers expenses through two types of liens:

- 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.

54 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.

MEDICAID PLANNERS

It's a good idea to add a Medicaid planning professional to your resource bank of experts. Applying for Medicaid is a complex process and rules change frequently. Most states have multiple programs with different eligibility rules. Professional Medicaid planners help families compile documentation, complete the application process, structure financial resources, and manage asset transfers including protection of a family home and income for a healthy spouse to live independently. Find a Medicaid planner in your area at www.medicaidplanningassistance.org/find-a-medicaid-planner.

Involving Family Members

Involving family members or people who are 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 to the earlier discussions of handling confidential information and power of attorney. 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 live 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.

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 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.

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.

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?

Marketing and Outreach

Slower goers are very savvy consumers. Throughout their lives, they have been assailed with advertising and marketing, which makes them deeply knowledgeable about what to look for and what information they need to make a good decision. Even retirees who have a comfortable nest egg and reliable pensions are still living on a fixed income and worry about outliving their assets. Consequently, when it comes to business transaction, they tend to be bargain-minded, price-conscious, and cautious. Time-sensitive approaches—act now!—don't resonate with the no goers as decisions depend more on circumstance than the market.

They are wary about being the target of a scam. News stories have heightened the awareness of targeting elderly with scams. Fast talking, aggressive sales methods, too-good-to-be-true offers, or too slick a presentation may raise suspicions.

MARKETING TO TWO GENERATIONS

The challenge of marketing to the slower go group is that it must speak to two generations—the age 85+ old Silent generation and their adult children. The approach for the slower go client might focus more on allaying their worries and concerns about the transaction and provide examples of other who have made a successful transition. "Reasons why" explanations, realistic messaging, and testimonials from past clients will work well. The approach for their adult children should provide a straightforward presentation of information. Both generations, however, want to know that you have both the experience of working with senior clients as well as the expertise as affirmed by your SRES® designation.

MULTICHANNEL MARKETING

Although increasing, a low percentage of elderly use smart phones. If your marketing approach relies heavily on smart phone apps, you could be missing this marketing segment. But to reach both the slower goers and their children who may be involved in transaction decisions, an effective marketing approach incorporates both traditional and digital marketing channels. Traditional marketing methods work well with the slower go group, but their children, or grandchildren, will look online first for information.

Compared to their children and grandchildren, slower goers spend more of their time off-line, but don't count them out as technology and social media users. Millennials and Gen Z may have written off Facebook as out of date, but its popularity remains high among older users who also use it as well as email and apps such as Skype and Facetime to stay in touch with family and friends.

NEWSPAPER AND PRINT READERS

People in their slower go years still read newspapers in print form. Although NAR research shows that newspaper advertising is one of the least used channels for finding a home, it is still effective in reaching the slower go group.

A print newsletter may be an effective outreach method for this group. Because slower goers have a lot of free time, they look forward to receiving mail and will take time to read printed newsletters and direct-mail materials. A valued newsletter should be information packed and alert readers about community services and events.

BOOST THE READABILITY OF PRINT MATERIALS

Anything that is easier to read is more likely to be read. Use these tips to make print materials easier to read—for all generations.[55]

- **User large fonts.**
  Too much fine print turns readers off who may perceive it as an attempt to hide information.
- **Use italic and script typefaces sparingly.**
  Bold face, a different font, or underlining are better ways to add emphasis.
- **Use left-justified text.**
  Text that is right/left or center-justified makes for uncomfortable reading for elderly eyes.
  - Text overlaid on a heavy color screen or images reduces readability.
  - Compose simple, direct, and often shorter sentences and paragraphs and use subheads to facilitate scanning.

If you don't want to take the time and effort to create your own newsletter, look around for senior-focused publications and distribution racks in stores, restaurants, health clinics, and other locations that seniors tend to visit frequently. Find out about contributing articles for the publication as well as purchasing ad space.

Whether in print or online, avoid "cute" imagery and humor that makes fun of older people and risks offending the intended audience. The age 85+ group doesn't need to be reminded, even in a humorous way, that they are growing older, they only need to look in the mirror. Living a long

55 Adapted in part from "Eleven Guidelines for Senior-Friendly Marketing Materials," by John Jensen, the Sharpe Group, posted September 3, 2019, https://sharpenet.com/give-take/guidelines-for-senior-friendly-marketing.

life is an accomplishment deserving of respect for the life-shaping events experienced and the wisdom accrued.

GO WHERE THEY GO

As noted earlier in the course, going where the age 85+ group goes is an effective way to reach this audience. Find out about senior events and fairs and participate as an exhibitor and offer to provide presentations on real estate subjects. Bring plenty of promotional materials for your exhibit booth including giveaways of useful items such as medicine bottle openers, pill splitters, calendars, note pads, and easy-grip pens.

STAY IN TOUCH

Stay in touch after the transaction. The elders may not initiate another real estate transaction, but their families likely will, and you can position yourself as a trusted real estate professional.

THE REAL ESTATE PROFESSIONAL SHOULD

How the real estate professional should interact with elderly prospects, customers, and clients?

- Help them feel empowered to make a good decision.
- Superior customer support and responsiveness is especially important.
- 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; explain that you will address their concerns during that appointment.
- Be aware of physical limitations.

The bottom line is this question: "how can I work best with the decision-making processes of the clients, family members, or caregivers to produce a successful transaction?"

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?

TEST YOUR MARKETING

Do you know if your marketing is on target? Try talking to some older family members as well as those in the sandwich generation to find out how they react to your ads and marketing materials. Their reactions and feedback could help you shape your marketing in ways that speak to older prospects and their families.

Working with Buyers and Sellers

UNDERSTANDING CAPABILITIES

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 an elderly 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

An as-is property 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

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, eyesight, 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 as tech-savvy Baby Boomers move into retirement years, some elders do not use mobile phones, voice mail, or email. Ask if the client uses email or has a smart phone. Be aware that many seniors turn on mobile phones only when they want to make a call.

Have the seller provide a point of contact who can to reach them if you are unable to do so. Although rare, you may also consider providing a prepaid mobile phone to a client who does not have one so that 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.

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.

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 to the universal design standards 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 the 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.

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 because 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.

Recognizing Elder Abuse and Neglect

Elder abuse and neglect is a sad reality. The National Center on Elder Abuse (www.ncea.aoa.gov) estimates that up to two million elderly people 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 include:

- 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/articles/abuse/elder-abuse-and-neglect.htm) 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.

Emotional Impact on the Real Estate Professional

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.

MODULE 8:
The Mature Connected World

AFTER COMPLETING THIS MODULE, YOU WILL BE ABLE TO:

- Identify issues and challenges of technology adoption for the Silent, Baby Boomer, and Gen X generations.
- Explore technologies that support aging in place.
- Alert clients and customers and their families to types of technologies that help elder relatives maintain independence and support care givers.

There is little doubt that technology adoption and use is on the rise among mature adults. Over the course of their careers, Baby Boomers went from analog to digital as computers, smartphones, and handheld devices became essential business tools. Along with the Gen Xers, Baby Boomers will bring the technology knowledge, habits, and expectations they gained during their careers into retirement.

A large percentage of the Silent generation left the workforce before computers appeared on office desktops. Consequently, they experience a steeper learning curve when it comes to making technology part of everyday life. Although they are catching up, the Silent generation lags well behind younger retirees in technology usage and adoption. Regardless of generation, older adults tend to adopt technologies that offer a benefit and disregard those that don't. They are not early adopters and wait to buy until many others have purchased.[56]

56 *2020 Tech and the 50+ Survey*, American Association of Retired Persons (AARP), December 2019, aarp.org/research.

What Devices Do Mature Adults Own?

Older adults do the same things on smartphones, laptop and desktop computers, and tablets as younger people. They surf the net, keep in touch by email and texting, comparison shop, get news and information, use social networking sites, and get driving directions. For "snowbirds" and those who are constantly on the go, email or social media may be the most reliable way to keep in touch.[57]

- **Smartphones**
  According to a study by AARP, more than 8 out of 10 of people between the age of 50 and 69 own a smart phone and use it daily. Over age 79, smart phone usage drops to about 70 percent but most of those who do own a smartphone use it daily.

- **Tablet**
  Tablet adoption, although on the wane among Millennials, continues to gain ground among older adults. About half of adults age 50–69 own a tablet and use it daily. "Tablet owners most commonly use their tablets for portable activities more enjoyable on a large screen such as surfing the internet, playing games, and watching videos."

- **Laptop or Desktop Computer**
  Those over age 70, however, are more likely to own a desktop computer than smartphone. Those who own a smartphone, tablet, and desk/laptop tend to use the devices for different purposes; "computers for practical tasks, tablets for entertainment, and smartphones for social and on-the-go activities."

- **Social Media**
  Social media participation is higher among those age 50–69, than those age 70+. Social media helps maintain connections with family and friends and overcome social isolation. Older adults who do participate in social media prefer Facebook and YouTube. Instagram, LinkedIn, and Twitter are the least used social media sites.

57 Ibid.

Figure 8.1:
How Adults Age 50+ Use Computers, Smartphones, and Tablets (Top 5 Uses) [58]

Desk or Laptop	Smartphone	Tablet
1. Surf the Internet	1. Text and email	1. Surf the Internet
2. Make a purchase	2. Directions, traffic info	2. Get news and info
3. Get news and info	3. Surf the Internet	3. Access social media
4. Banking and financial	4. Get news and info	4. Play games
5. Text and email	5. Access social media	5. Watch videos & shows

Technology for Aging in Place

Why go to the trouble to invest in and learn how to use new technologies? For older adults, who are determined to age in place, and their families, technology can help maintain independence and overcome some of the challenges that come with advancing years. Plus, their children and caretakers see ways to help care for elders who want to stay in their own homes.

How can technology help accomplish the goal of aging in place?

- Increase access to resources
- Reduce cost of care
- Protect safety and security
- Support health and fitness
- Minimize Isolation
- Increase mobility

TECHNOLOGY EXAMPLES NOT NAR ENDORSED

The technologies and applications mentioned in this chapter are presented for illustrative and informational purposes only and are neither endorsed nor recommended by the National Association of REALTORS®

58 Ibid.

INCREASE ACCESS TO RESOURCES

Virtual communities and support networks help older adults access essentials for daily life as well as connect with others their age. Virtual retirement communities charge an annual fee ($500–$600 is typical) and operate with a combination of volunteers and paid staff. Members govern the community and determine the services that offered.

Typical village services include:

- Transportation for shopping and medical appointments
- Social get-togethers and outings
- Exercise classes
- Companion to accompany on appointments
- Arrangements for home maintenance repairs with vetted service providers
- Support for pet care—walks, vet and grooming appointments

Find virtual retirement communities at the **Village to Village Network** (www.vtvnetwork.org) or check online or with social service agencies in your area.

A network of family and friends can organize their own online support network for an elder. For example, **Lotsa of Helping Hands** (lotsahelpinghands.com) offers an app for organizing and providing support such as meals, rides to doctor appointments, or just stopping by for a visit. Requests for support can be posted and answered on the Help Calendar which also sends reminders.

REDUCE COST OF CARE

The cost of care in assisted living facilities or nursing homes for an elder relative can quickly eat up a family's savings. Aging in place in the home can greatly reduce the cost of elder care, primarily by postponing a move to an assisted living facility of nursing home. Although home and personal monitoring devices and sensors have the potential for saving thousands of dollars in monthly care expenses, the financial savings are not the only motivator for adopting these technologies. When technologies help elders safely age in the home, they maintain their independence and self-confidence.

The old technology of personal emergency response services which require the user to wear a pendant are becoming outmoded. A new generation of smart sensors placed around the home learn patterns of activities, sense unusual movements, detect falls, and alert caregivers when something seems amiss. Sensors work in the background without the privacy invading cameras.

For example, **Best Buy Assured Living** (www.bestbuy.com/site/health-fitness-sports/aging-in-place) provides a customizable, non-intrusive sensor-based activity notification service. Caregivers can use the system's dashboard to see activity patterns. Unobtrusive sensors placed around the home monitor and report on activities—or lack of activity—and alert care givers to changes in routine. The app also allows caregivers to monitor the home itself such as thermostat settings, lights, and door locks.

GPS enabled shoe soles can help a family keep track of an elder relative's whereabouts outside the home. For example, **GPS SmartSole®** insoles (gpssmartsole.com/gpssmartsole) can track a wearer's location on a map to within 15 feet every five minutes and send text and email geo zone alerts to a mobile phone, tablet, or computer.

PROTECT SAFETY AND SECURITY—HOME

A stroll through the aisles of any major home improvement store will yield a wide range of "smart" devices for securing and managing a home. A suite of devices, connected through a smart hub, support safe aging in place for elders as well as remote home monitoring for go-go retirees and snowbirds. Some examples of smart technology for the vulnerabilities of a home follow.

See who is at the front door and what they are doing with a doorbell video system such as the popular **Ring Video Doorbell** (ring.com). Doorbell apps can provide a notification to a smart phone whenever a visitor rings the doorbell or triggers a motion sensor. An app with audio capabilities provides the ability to talk with whoever is at the door. Neighborhood alerts provide up-to-date information from public safety agencies about events in the area.

In addition to seeing who is at the front door, smart locks can enable keyless entry with a 9-digit keypad or smart phone app. The app can provide a virtual key to visitors such as repair or delivery service people. Smart lock apps, such as **Google Nest x Yale Lock with Nest Connect** (available on Amazon), are usually compatible with iOS and Android.

Smart lights, such as Philips® Hue (www.philips-hue.com/en-us) or Sylvania Smart Plus LED (www.sylvania-lighting.com/en-int/) offer the security of programming lights to turn on or off at specified times. Some systems learn daily activity patterns and can operate automatically when the homeowners are away.

The new generation of smoke and carbon monoxide detectors can send an alarm and notification to a smartphone, distinguish between smoke and CO, and identify the source. Examples include Nest Protect (store.google.com/us/product/nest_protect_2nd_gen) and hardwired OneLink Safe & Sound (www.firstalert.com/product/safe-sound). The Roost Battery with built-in Wi-Fi (getroost.com/sensors/) makes a conventional smoke detector smarter.

Leak detectors can limit costly water damage in the laundry room, water heater closet, bathroom, under sinks and any place where water leaks could happen. A combination of sensors and an app sends an alert to a smartphone and, with some detectors, shuts off the main water valve. Examples include **Flo by Moen® Smart Water Detector** (www.moen.com/flo) and **FlumeTM 2 Smart Home Water Monitor** (flumewater.com).

Video surveillance has been around for years, but the current generation of smart surveillance provides high-definition, live remote viewing and two-way audio and avoids costly hardwired installations and security services. For example, the **Blink Mini** (blinkforhome.com) Wi-Fi enabled plug-in camera provides live views as well as two-way audio features. The **Lorex® System** (lorextechnology.com) can send alerts whenever motion is detected in customized zones and provides pan, tilt, and zoom views.

PROTECT SAFETY AND SECURITY—FINANCIAL

Sadly, older adults, particularly those with dementia symptoms and memory problems, are prime targets for financial fraud. Families can struggle to find the right balance between protecting their elder relatives' finances and maintaining the independence for ordinary daily purchases at a coffee shop or grocery store.

TrueLink Prepaid Visa® (www.truelinkfinancial.com/card) allows a family member to set an amount that triggers an alert as well as block certain payments such as telemarketers and TV shopping. The card can also provide petty cash with spending limits for caregivers to run errands and make purchases for older adults. **EverSafe®** (www.eversafe.com) specialized protection for senior citizens analyzes transaction patterns to spot anomalies and unusual activity such as missing deposits and late bills. Suspicious activity alerts are sent to a "trusted advocate" by email, text, phone, or the EverSafe® app. **SilverBills®** (www.silverbills.com) bill payment service assures timely payment of bills and examines bills for potential fraud.

SUPPORT HEALTH

When a family must make decisions about an elder relative's ability to age in place at home, physical and cognitive health often are basic deciding factors. For the elder who can stay at home with some medical monitoring, technology offer an array of solutions that can interact with medical providers, send alerts, and summon help.

The Covid-19 pandemic has had a major impact on delivery of health care as medical consultation quickly evolved from face-to-face visits to virtual visits by Zoom, Skype, and proprietary systems. Most major health insurers offer coverage for virtual consultations and so does Medicare and Medicaid in most states. Spurred by quarantine and stay-at-home requirements, telehealth applications are gaining widespread acceptance and will likely remain in place post-pandemic.

Beyond virtual medical appointments, technologies such as **GrandCare Systems®** (www.grandcare.com) offer a suite of monitoring, reminder, and messaging tools that track health conditions (e.g. glucose, oxygen, blood pressure, and weight) as well as daily activity such as meals and exercise. The system uses a large interface touchscreen that can also let the user watch videos, video chat with family and friends, play games, listen to music, and read the news. Worn on the wrist like a wristwatch, **VitalBand®** (www.vitaltech.com/vitalband-lte) provides streaming health vitals, fall alerts, geolocation, plus a panic alert button and voice callout. The app streams real time monitoring to care givers and family.

A search online for smart pillboxes produces a long list of medication management that sort pills by day and time and send automated reminders. Two medication management systems that include presorted automatic refills and reminders include **MedMinder®** (www.medminder.com) and **Amazon's PillPack** (www.pillpack.com) which issues reminders via Alexa or Google Home.

Good nutrition and regular meals are essentials for maintaining health, but grocery shopping and meal preparation can be a challenge for older adults who live on their own. With a smart refrigerator with a Wi-Fi connected camera, such as **Samsung's Family Hub®** (www.samsung.com /us/explore/family-hub-refrigerator/connected-hub), a family member can check on an elder relative's food supply.

MINIMIZE ISOLATION

Health and medication monitoring play a vital role in maintaining health but so does social interaction. Family and friend connections and interactions help elders stay emotionally and mentally fit and reduces vulnerability to depression and cognitive decline. In fact, a study by AARP found that a lack of social contacts among older adults is associated with an additional $6.7 billion in Medicare costs—an amount that exceeds costs for arthritis care.[59] Maintaining a social life can, however, be a daunting challenge when getting around is difficult and family members live far away.

Video chatting via Skye, FaceTime, and similar apps, helps elderly relatives check in with family and friends and stay connected with others in the community. **Grandpad**® (www.grandpad.net) provides a customized tablet that comes preloaded with the user's own private family network as well as comes with essential apps for connecting with loved ones or passing the time. New tools and applications take social interaction to the next level by engaging users proactively.

LifePod® (lifepod.com) combines a proactive voice with an Alexa device. The smart speaker can ask questions without needing a prompt from the user, provide reminders, and offer ideas for things to do each day. **ElliQ**® (elliq.com) uses artificial intelligence (AI) to engage with users both proactively and reactively. It periodically reminds users that it's there whenever they'd like to interact and can suggest activities and conversation topics to engage in throughout the day.

ROBOTIC SYSTEMS

The convergence of artificial intelligence and robotic technologies are a burgeoning area of research and development. Adoption hurdles include high costs and safety and privacy issues as well as user-friendliness of devices. As these hurdles are tackled, the generations for whom technology is part of daily life will likely welcome these assistive technologies that can extend years of independent living, lend care giver support, and provide social interaction. Just type "elder care robotics" in your Internet browser for numerous articles and news about product development

59 Flowers, Lynda et al., "Medicare Spends More on Socially Isolated Older Adults," *Insight on the Issues 125*, AARP Public Policy Institute, November 2017, https://www.aarp.org/ppi/info-2017/medicare-spends-more-on-socially-isolated-older-adults

INCREASE MOBILITY

As noted earlier in the course, the ability to drive is an important factor in maintaining independence particularly in communities that lack public transportation and conventional taxi service. On-call transportation services such as Lyft and Uber help fill the void but using the apps to summon these services can be a problem for older adults who lack a smartphone. Transportation services such as **GoGoGrandparent** (gogograndparent.com) act as an intermediary for arranging Lyft and Uber rides through a toll-free phone number. A family member can book a ride or delivery for their elder relative and receive text alerts upon pickup and drop off.

A discussion of transportation alternatives usually brings up the concept of self-driving vehicles. The National Highway Traffic Safety Administration forecasts that fully automated vehicles operating independently without a human driver are still some years in the future. When fully autonomous vehicles—self-driving cars—become readily available and affordable, it will provide mobility options and new freedom not only to home-bound elderly but also to those with some form of disability.[60]

While self-driving cars for individual use may be far in the future, major companies such as Walmart are actively piloting delivery services via autonomous delivery vehicles. Walmart's pilot program uses a fleet of Chevrolet Bolt renewable-energy electric vehicles.

60 *The Evolution of Automated Safety Technologies*, National Highway Traffic Safety Administration, https://www.nhtsa.gov/technology-innovation/automated-vehicles-safety#topic-road-self-driving.

Protect Your Clients' Data

Real estate professionals often collect a lot of personal information about clients and customers. 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.nar.realtor/data-privacy-security/nars-data-security-and-privacy-toolkit.

The Learning Curve

All of the technologies discussed in the chapter require some level of knowledge and comfort with using online and smartphone technology. This presents a higher hurdle for Silent generation members than for Baby Boomers and Gen Xers. These latter generations bring the technology acceptance, knowledge, and curiosity acquired during their careers with them when they retire. They will expect technology to continue to serve them as they age from go-go to slow-go years.

DISCUSSION QUESTION

What other aging-in-place technologies are you aware of?

MODULE 9:
Financing Options

AFTER COMPLETING THIS MODULE, YOU WILL BE ABLE TO:

- Identify situations in which a home equity conversion (HECM) mortgage would be helpful and appropriate.
- Alert clients and customers and their families to the benefits, uses, pros and cons of HECMs and alternatives.
- Identify issues involved in listing or representing a buyer interested in a home with a HECM.

For many age 50+ homeowners, their home represents the largest asset and the equity in it is the chief source of net worth. Many homeowners have substantial equity through mortgage pay-down and value appreciation.

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 that they can pay cash for the new home and avoid mortgage payments.

- Older 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 older homeowner can't relocate from a declining neighborhood because the sale proceeds from the current home won't be enough to buy in a better area.

- A family is struggling to find a way for an older 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 they 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 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 module, 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.

What Can a Reverse Mortgage Accomplish?

A reverse mortgage 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.

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 additional cash flow to help meet monthly budget needs .
- 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.

How Do Reverse Mortgage Work?

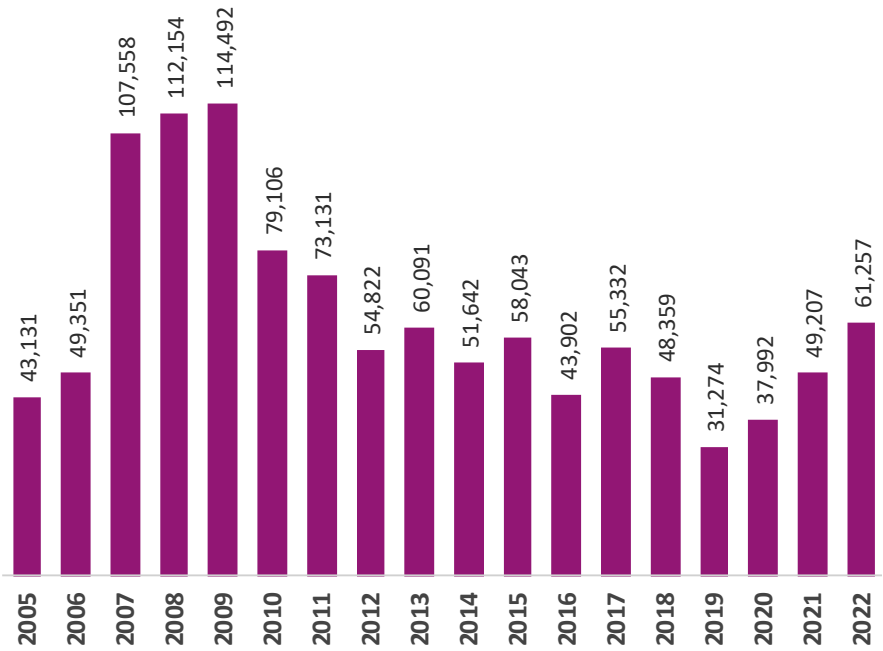
- **Negative Amortization**
  Reverse mortgages amortize negatively. The payments the borrower receives add to the balance owed at the end of the loan and interest accrues at a fixed or adjustable rate. But the borrower will never owe more than the property is worth, nor can the lender seek access to other assets.

- **Borrower's Obligations**
  The lender places a lien on the property, but as long as the borrower lives in and maintains the home and keeps property charges current, 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, and failure to pay taxes and insurance or make repairs. The borrower may pay off the loan through the sale of the property or prepayment at any time without penalty.

- **FHA Leading Provider**
  FHA insures about 90 percent of reverse mortgages through its Home Equity Conversion Mortgage (HECM) program.[61] It sets standards and policies for the loans, collects data on trends, and monitors lenders. There are some lenders that offer non-FHA insured reverse mortgages with higher payouts.

61 Because FHA insures the majority of reverse mortgages, lenders may use the terms HECM and reverse mortgage interchangeably.

Figure 9.1: Reverse Mortgage Trends [62]



Types of HECMs

- **HECM for Refinance**
  The technical term for the HECM. The mortgage enhances 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 the 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 as needed from the equity in the home. The 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 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.

62 HUD statistics, National Reverse Mortgage, Lenders Association, www.nrmlaonline.org/annual-hecm-endorsement-chart

FIXED OR ADJUSTABLE RATE?

The HECM borrower may choose 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 to determine which will be most cost effective for achieving a specific goal. Loan officers and HECM counselors can provide printouts, called total annual loan costs (TALCs), showing annual and total costs and payouts for all options.

As a loan product, the fixed-rate HECM offers a predictable interest rate. HECMs for purchase (H4P) are usually fixed rate but can be adjustable rate; 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 a professional 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. The rate cap limit increases annually over the life of the loan. HECM adjustable-rate loans can have various payout options, such as a lump sum, monthly or annual withdrawal, line of credit or a combination of these.

HECM Eligibility

- **Borrower eligibility criteria:**
  - Youngest borrower must be at least age 62.
  - Own the property outright or have paid down a considerable amount.
  - Occupy the property as a principal residence.
  - Not be delinquent on any federal debt.
  - Have financial resources—residual income—to continue to make timely payment of ongoing property charges such as property taxes, insurance and HOA fees, and so on.
  - Participate in a counseling session with a HUD-certified HECM counselor.
- **Eligible properties:**
  - Single-family homes
  - FHA-approved condos and co-ops
  - Manufactured homes built after 1976 and installed on a permanent foundation
  - Two- to four-unit homes with one owner-occupied unit

Counseling—The Important First Step

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.

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 must 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.
6. **Follow-up.**

HUD CERTIFIED COUNSELORS

- Find HUD certified counselors at entp.hud.gov/idapp/html/hecm_agency_look.cfm

HECM Application Process

Except for counseling, the application steps are similar to a forward mortgage. 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 reviews the documentation and confirms 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.

FINANCIAL ASSESSMENT

HECM borrowers must complete a financial assessment. In the past, HECM qualification focused on the condition of the property and the life expectancy of the borrowers. Under current 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 including:

- 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.
- **Note:** A Non-Borrowing Spouse (NBS) is not considered unless he or she is a co-signor on the account. The debts of the NBS will be included in the residual income test for the borrower in community property states.

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

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 withheld 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.

Principal Limits and Costs

Calculation of the amount of principal available is basically a function of the life expectancy of the borrowers, home equity, and property value. The due-and-payable clause of HECM loans can be deferred for a non-borrowing spouse who wants to remain in the home. Consequently, the principle available is determined by the age of the youngest spouse regardless of whether they are a mortgagor of record or not.

PAYOUT LIMITS

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.

MORTGAGE INSURANCE PREMIUMS

The initial premium is 2 percent of the maximum claim amount. The mortgage insurance premium may be financed as part of the loan.

OTHER FEES AND COSTS

The origination fee, which compensates the lender for processing the loan, is 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.

Closing costs from third parties can include an appraisal, title search and insurance, surveys, inspections, recording fees, mortgage taxes, credit checks and other fees.

Lenders may charge a monthly servicing fee of no more than $30–$35 deducted from available funds and added to the loan balance. Lenders have the option to include the servicing fee in the mortgage interest rate.

TOTAL ANNUAL LOAN COST

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 amortization schedule are supplied again at application. Two limitations on the usefulness of a TALC are that it does not take into consideration the added value in a growing line of credit and 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 have paid down a considerable amount.
- Occupy the property as a 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 HOA fees, and so on.
- 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
- Two- to four-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 or nonborrower spouse
  - 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

PAYOUT 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 in the home and the loan is in good standing
- **Term:**
  Equal monthly payments for a fixed number of months
- **Line of Credit:**
  Payments as needed until the 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 payout:**
  Lump-sum disbursement at closing

SET-ASIDE OPTIONS (REQUIRED OR VOLUNTARY)

- Life-expectancy set-aside, withheld from lump-sum payout
- 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; no cap on monthly adjustable rate. Rate based on an index, 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:**
  - 2% initial premium
  - .05% annual premium
- **Closing Costs**
  Usual costs associated with obtaining a mortgage, such as appraisal, title search, inspections, recording fees, and state and municipal fees; can be financed as part of loan.

MONTHLY FEES

- **Service Fee**
  $30–$35 (some lenders waive the fee)
- **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 or nonborrower spouse 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

A reverse mortgage should be compared to selling the home and using the proceeds to rent or buy a new home, refinancing, or a home equity line of credit.

Factors to consider when comparing a sale with a reverse mortgage 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 investments
- Availability of community-based support services and public benefits

Reverse Mortgage Benefits

- **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 sell the property and the proceeds fall short, the remaining mortgage balance is excused. Mortgage insurance compensates the lender for a shortfall.

- **Tax-free payouts**
  Money borrowed through a reverse mortgage is not taxable income. 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.

- **Asset preservation**
  It may be better to tap home equity than to spend down other assets.

When Is a Reverse Mortgage Not a Good Idea?

- **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.

- **Annuity purchase**
  Using the loan proceeds to purchase an annuity is generally not allowed.

- **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 if the payout meets 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. Lacking a compelling need to draw out the equity, the homeowner should probably not consider a HECM as an option.

- **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?

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. Note that a child or grandchild whose name has been added to the title can disqualify the borrower.

What Happens to the Non-Borrowing Spouse if the Borrower Dies?

If the borrower passes away and the HECM was issued on or after August 4, 2014, the eligible non-borrowing spouse (NBS) may remain in the home. The loan repayment is deferred if the following conditions are met:

- At the time of the loan closing, the NBS is married to the borrower and remains married for the rest of the borrower's lifetime or until the loan is satisfied.
- The spousal status of the borrower and NBS is disclosed at the time of the loan application and closing.
- The NBS is specifically named as such in the mortgage documents.
- The property is the NBS's principal residence.
- The NBS continues to meet all loan obligations.

What Do Heirs Receive?

When the last surviving homeowner passes away, the remaining equity in the property goes to the heirs, not the bank. 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 property is sold by heirs, the sale price must be at least at least 95 percent of the appraised value.

If the amount owed is more than market value, the heirs or the owner may let the house go to the lender through transfer or foreclosure. Because a reverse mortgage is a nonrecourse loan neither the heirs nor the estate must satisfy the overage. That will be met through the mortgage 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

- **Why are insurance premiums so high for a reverse mortgage?**
  With a reverse mortgage, the lender assumes all 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. It also protects the lender from a shortfall in the sale proceeds or a new forward mortgage because of value decline. If 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 closing disclosure.

- **What if there is a mortgage balance on the home?**
  A reverse mortgage requires the property to be owned debt free. 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. If the homeowner meets other qualifications, a reverse mortgage can stop monthly mortgage payments (pinricpal and interest) and prevent a foreclosure.

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

- The loan accrues interest only on the amount withdrawn and the remaining line of credit grows at the same rate 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 at the time of sale

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 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 office 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.

Scenarios

IT'S TIME TO MOVE—HOW A REVERSE MORTGAGE MADE IT HAPPEN

Lois McGrady, age 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, age 70, retired three years ago. Now that Dorothy is 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 have 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 Fort Myers, Florida. The remaining $95,950 line of credit is available for future expenses and maybe for leasing an RV.

STOPPING MORTGAGE PAYMENTS, PREVENTING 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.

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 and 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.

SUPPLEMENTING INCOME

Virginia Dwyer, age 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 it 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 as well as other expenses.

Family Issues

The circumstances, needs, wishes, and quality of life of the older 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

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 have lost value, 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 sale proceeds.

Real estate professionals should involve all concerned family members in discussions regarding reverse mortgages. Always be cognizant of the needs of the homeowner and act in the manner that best serves them. Take time to explain to the homeowner, as well as involved family members, how a reverse mortgage may be in their best interest. If mishandled, however, suggesting a reverse mortgage may create false expectations and cause hard feelings between you, the homeowner, and other family members. 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.

Selling or Buying a Reverse Mortgaged Home

What are your responsibilities as a listing agent if you determine that the seller has taken a reverse mortgage on the home? As the listing agent, you should ask to see the most recent mortgage statement from the seller or their heirs to learn the approximate payoff amount. With reverse mortgages, there are two liens on the property for more than it is worth. One lien is from the lending institution that holds the reverse mortgage and the other lien from HUD since it is a government-insured loan. If there is still equity in the house, the owner or heirs may want to sell it and pay off the mortgage and keep whatever equity they are due after the sale of the house. The sales price must be at least 95 percent of the appraised value.

As a buyer's agent, if you see two high liens and one of them is HUD, ask the listing agent if they have confirmed the balance owed. You want to be sure the balance owed doesn't exceed the value and that the house can be sold to your buyer client.

More FAQs from the Consumer Financial Protection Bureau

Is a client or customer considering a reverse mortgage? Share these information links from the federal Consumer Financial Protection Bureau.

- **How Do Reverse Mortgage Work?**
  www.consumerfinance.gov/ask-cfpb/what-is-a-reverse-mortgage-en-224/
- **What are the types of HECMs?**
  www.consumerfinance.gov/ask-cfpb/are-there-different-types-of-reverse-mortgages-en-226/
- **Who is eligible for an HECM?**
  www.consumerfinance.gov/ask-cfpb/can-anyone-apply-for-a-reverse-mortgage-loan-en-227/
- **What does counseling involve?**
  www.consumerfinance.gov/ask-cfpb/what-should-i-think-about-before-applying-for-reverse-mortgage-en-228/
- **What are the principal limits and costs?**
  www.consumerfinance.gov/ask-cfpb/what-are-the-costs-i-will-have-to-pay-for-a-reverse-mortgage-en-237/
- **Are there reverse mortgage alternatives?**
  www.files.consumerfinance.gov/f/documents/cfpb_reverse-mortgage-discussion-guide.pdf
- **Who Owns the Property**
  www.consumerfinance.gov/ask-cfpb/if-i-take-out-a-reverse-mortgage-loan-does-the-bank-own-my-home-en-234/
- **What Happens to the Non-Borrowing Spouse if the Borrower Dies?**
  www.consumerfinance.gov/ask-cfpb/what-happens-my-reverse-mortgage-when-i-die-en-2096/
- **What Do Heirs Receive?**
  www.consumerfinance.gov/ask-cfpb/will-my-children-be-able-to-keep-my-home-after-i-die-if-i-have-a-reverse-mortgage-loan-en-242/
- **Can family members live in the home?**
  www.consumerfinance.gov/ask-cfpb/can-my-partner-family-or-dependents-if-i-have-a-reverse-mortgage-en-1213/

- **Can a reverse mortgage fund a home purchase?**
  www.consumerfinance.gov/ask-cfpb/can-i-use-a-reverse-mortgage-loan-to-buy-a-home-en-238/
- **Can a reverse mortgaged home be sold?**
  www.consumerfinance.gov/ask-cfpb/what-happens-if-i-have-reverse-mortgage-and-i-want-sell-my-home-en-2095/
- **How much money can a reverse mortgage borrower get and what are the payment options?**
  www.consumerfinance.gov/ask-cfpb/how-much-money-can-i-get-with-a-reverse-mortgage-and-what-are-my-payment-options-en-233/
- **What are a borrower's ongoing responsibilities with a reverse mortgage loan**
  www.consumerfinance.gov/ask-cfpb/do-i-still-need-to-pay-my-property-taxes-and-home-insurance-with-a-reverse-mortgage-loan-en-235/
- **When does a reverse mortgage need to be paid back?**
  www.consumerfinance.gov/ask-cfpb/when-do-i-have-to-pay-back-a-reverse-mortgage-loan-en-236/
- **What if reverse mortgage borrower cannot pay their property taxes and/or homeowners insurance?**
  www.consumerfinance.gov/ask-cfpb/what-should-i-do-if-i-have-a-reverse-mortgage-and-i-cant-pay-my-property-taxes-or-insurance-en-1509/
- **What can a reverse mortgage borrower do if they receive a notice of default?**
  www.consumerfinance.gov/ask-cfpb/what-should-i-do-if-i-have-a-reverse-mortgage-and-i-received-a-notice-that-i-am-delinquent-in-default-or-behind-on-my-property-taxes-and-insurance-en-1511/
- **What happens if the balance of the loan grows larger than the value of the home?**
  www.consumerfinance.gov/ask-cfpb/what-happens-if-my-reverse-mortgage-loan-balance-grows-larger-than-the-value-of-my-home-en-1217/
- **Should a reverse mortgage be used to consolidate debts?**
  www.consumerfinance.gov/ask-cfpb/should-i-use-a-reverse-mortgage-to-consolidate-my-debts-en-1219/

- **Does an older homeowner need to use estate planning services to take out a reverse mortgage loan?**
  www.consumerfinance.gov/ask-cfpb/do-i-have-to-use-an-estate-planning-service-or-pay-to-find-a-reverse-mortgage-en-229/

- **Are ads saying no-payment reverse mortgages offered by Veteran Affairs legitimate?**
  www.consumerfinance.gov/ask-cfpb/i-saw-an-ad-for-a-no-payment-reverse-mortgage-from-the-department-of-veterans-affairs-va-is-this-legitimate-en-1719/

- **Comprehensive reverse mortgages discussion guide published by the federal Consumer Financial Protection Bureau**
  www.files.consumerfinance.gov/f/documents/cfpb_reverse-mortgage-discussion-guide.pdf

MODULE 10:
Tax Matters

AFTER COMPLETING THIS MODULE, YOU WILL BE ABLE TO:

- Gain an overview of tax issues of concern for 50+ clients and customers.
- Recognize situations in which a tax-deferred 1031 exchange would be possible and advantageous.
- Alert clients and customers to tax issues that could impact spouses, partners, and heirs.

In this chapter, we'll look at some tax issues of particular concern for age 50+ homeowners and retirees. Real estate professionals don't need to memorize all 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.

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 that 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 of 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.

MORTGAGE INTEREST DEDUCTION

'The Tax Cuts and Jobs Act of 2017, enacted Dec. 22, suspends from 2018 until 2026 the deduction for interest paid on home equity loans and lines of credit, unless they are used to buy, build or substantially improve the taxpayer's home that secures the loan.[63]

Under the new law, for example, interest on a home equity loan used to build an addition to an existing home is typically deductible, while interest on the same loan used to pay personal living expenses, such as credit card debts, is not. As under prior law, the loan must be secured by the taxpayer's main home or second home (known as a qualified residence), not exceed the cost of the home and meet other requirements.

For anyone considering taking out a mortgage, the new law imposes a lower dollar limit on mortgages qualifying for the home mortgage interest

63 IRS, IR-2018-32, Feb. 21, 2018, https://www.irs.gov/newsroom/interest-on-home-equity-loans-often-still-deductible-under-new-law.

deduction. Beginning in 2018, taxpayers may only deduct interest on $750,000 of qualified residence loans. The limit is $375,000 for a married taxpayer filing a separate return. These are down from the prior limits of $1 million, or $500,000 for a married taxpayer filing a separate return. The limits apply to the combined amount of loans used to buy, build or substantially improve the taxpayer's main home and second home.

Understanding Capital Gains Tax

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.

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. 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 percent.

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 one year or less 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

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 single (S) or $500,000 married filing jointly (MFJ) 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 (MFJ) 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, a prorated portion of the gain is excluded.[64] 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), $250,000 for (married filing jointly) 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 a home office is used.

64 Unforeseen circumstances include natural disasters, terrorism, job layoff, death, death of a spouse, divorce, separation, and multiple births.

Capital Gains Tax on Sale of Converted Second Homes

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 (S) or $500,000 (MFJ) 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, 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 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 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

Estate tax planning is an important issue for individuals with high net worth. 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 a decedent's assets in excess of a specified level; the total value can be applied to the lifetime exclusion amount of $12.06 million, as of 2022. 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 whether 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 the lifetime exclusion, 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.

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 $164,000 (effective in 2022) 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 $16,000, but they cannot take advantage of the federal marital deduction for transfer of their estates.

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 $164,000 (effective in 2022) 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 $16,000, 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

Gifting 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 $16,000 per recipient; each spouse can make gifts up to that amount for a total of $32,000 in a year to any other person. When a gift exceeds $16,000, 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.

Gift tax is paid by the donor if the gift exceeds $16,000, but, in reality, very few donors ever pay a gift tax. This is because as taxable 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 taxable gifts exceeds the exclusion limit. 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.

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

Note, a common misconception about gifts is that any gift over the exclusion results in the payment of gift tax. This is simply not true in 99.9 percent of all gifts because the gift value in excess of $16,000 is applied against the lifetime exclusion amount, which is $12.06 million,580,000 in 2020. The gift tax return Form 709 simply keeps 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 $16,000 annual limit. Attorneys and tax advisors who are experts in estate planning should be consulted.

Gifts and bequests from grandparents to grandchildren can trigger generation-skipping transfer (GST) 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.

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

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 (QI) 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 but does not eliminate taxes, 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. 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.

Basic Rules for Tax-Deferred 1031 Exchanges

- Under the Tax Cuts and Jobs Act, Section 1031 applies only to exchanges of real property and not to exchanges of personal or intangible property.
- 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 of transferring the exchange property or the tax filing deadline, whichever comes first. 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 one of the following:**
  - Maximum of three replacement properties without regard to fair market value (otherwise known as the "three-property rule," which is the most commonly used)
  - Any number of replacement properties with aggregate value not exceeding 200 percent of the value of the relinquished property
  - Any number of replacement properties if the exchanger receives 95 percent 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 think erroneously 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)[65]

- Personal residence
- Domestic properties for foreign properties
- Stock in trade and other property held primarily for sale (inventory or dealer property)
- Stocks, bonds, notes, or other types of securities, evidences of indebtedness, or interest
- Machinery, equipment, vehicles, artwork, collectibles, patents and other intellectual property and intangible business assets

65 Under the Tax Cuts and Jobs Act, Section 1031 now applies only to exchanges of real property and not to exchanges of personal or intangible 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

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 that the property is held primarily for investment. Where income earned has been substantial, it can also be successfully argued that 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

What if in an exchange an investor purchases a residential property that is not currently a rental property? 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 (S)/$500,000 (MFJ) 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.

CASE STUDY

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 QI. On May 1, Edward contracts to sell Center Court Apartments to Bob for $1,000,000 with a closing date of May 17. Edward assigns all rights in his agreement with Bob to the QI.
2. On May 5, Edward notifies Bob in writing of the assignment of rights and on May 17, 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 1, Edward identifies Silver City Apartments as a replacement property (within the 45 days).

5. On July 5, Edward 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 9, 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.

A visual representation of this 3-way exchange follows below:

Figure 10.1: A Typical 3-Way Exchange



Qualified Intermediaries

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 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

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" or contingency plan.

Community Property

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 is 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 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.

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

If Social Security is a sole source of income, benefits are not taxable because they do not exceed the base amount. But 50 percent to 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–$44,000 for a married couple filing jointly and $25,000–$34,000 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 pretax dollars. The advantage is that in many cases the recipient is in a lower tax bracket during retirement than during working years.

Installment Sales

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 for married filing jointly or $250,000 for single, 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 look for only 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.

MODULE 11:
Legal Matters

AFTER COMPLETING THIS MODULE, YOU WILL BE ABLE TO:

- Avoid inappropriate involvement in family matters and maintain focus on the real estate transaction.
- Manage potential legal liabilities and avoid conflicts of interest in real estate transactions.
- Maintain confidentiality of information when providing services for 50+ clients and customers and their families.

Risk Management Issues

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

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**
  Relatives or caregivers can assist both the elderly homeowner and the real estate professional by acting as guides, interpreters, and facilitators. 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

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 the documentation justifying the price. Market the property as a "best value in the community."

Power of Attorney

A power of attorney authorizes a person to act as a legal representative, an attorney-in-fact, for another and to 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 the witness was present and establish the witness' 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, under certain specified conditions, or 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 claims to be authorized to act for an elder in a real estate transaction, it is appropriate to ask to see proof of 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 claims to 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 testamentary letters 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 to 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

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 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 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

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 Studies

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?

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?

When a Client Dies or Becomes Incapacitated

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 is needed to designate a representative to act on behalf of the buyer or seller.

Probate

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

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.

A/B OR MARITAL 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 or 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 many of the same benefits as the A/B Trust.

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

Elder Law Attorney

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: [66]

- **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.

CERTIFIED ELDER LAW ATTORNEY (CELA)

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.

66 Charles P, Sabatino, "Elder Law, a Perspective on Present and Future," American Bar Association Commission on Law and 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 firm name but receiving the services of a law clerk? If an associate lawyer is working with you, is the associate 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.

MODULE 12:
Building Your Team

AFTER COMPLETING THIS MODULE, YOU WILL BE ABLE TO:

- 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.

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 module, 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 law 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.

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 following checklist 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
- ❒ 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 health care agency
- ❒ Community service contacts
- ❒ Transitional services contact/coach
- ❒ Grief counselor
- ❒ Elder abuse resources
- ❒ Ombudsman
- ❒ Hospitals and clinics
- ❒ Public benefits office
- ❒ 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

- **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.

- **Senior concierge services**
  These service providers help mature adults maintain independence by offering a range of nonmedical personal assistance from running errands to providing transportation to medical appointments to participating 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.

- **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 or the Institute for Mobility, Activity, and Participation at 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 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 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 checkbook 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 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

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 facilities with phone numbers and addresses.
- **Home health care:**
  Provide contacts for hiring home health care workers.
- **Specialists:**
  List area specialists in cardiology, ophthalmology, gerontology, rheumatology, orthopedics, neurology, chiropractic, and other specialties.
- **Personal care:**
  List hair stylists and manicurists who provide in-home service.
- **Medicare drug plan participating pharmacies:**
  Contacts for local participating pharmacies.
- **Cultural and entertainment venues:**
  List theaters, cinemas, concert venues, art galleries, and museums.
- **Libraries and bookstores:**
  List reading clubs and discussion groups.

- **Houses of worship:**
  List churches, temples, mosques, and clergy contacts.
- **Educational opportunities:**
  List senior-friendly learning environments, community colleges, university extensions, and lifelong-learner programs.
- **Aging-support organizations:**
  List local offices that provide support services for elderly.
- **Magazines and newsletters:**
  Provide sample copies of magazines and newsletters targeted to senior readers.
- **Travel clubs:**
  List 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:**
  Provide information on financial and lending institutions, reverse mortgage lenders, and counseling services.
- **Volunteer opportunities:**
  Provide information on volunteer involvement opportunities.
- **Employment (paid) opportunities:**
  Provide information on area employers who hire seniors.
- **Clubs and hobby groups:**
  List activities for seniors to enjoy on their own and with younger family members.
- **Advocacy groups:**
  List environmental, political, and issue-oriented groups.
- **Support groups:**
  List support groups for the bereaved, caregivers, and others.
- **Community events:**
  Provide information on community special events, observances, and annual events.
- **Restaurants:**
  List 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:**
  List car dealerships, repair garages, and tow service.
- **Trends:**
  Provide information organized by dates or headings, such as local and national issues.

Making Prudent Referrals to Experts

By Nan Roytberg
Past Associate Counsel, National Association of REALTORS®[67]

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.

67 Reprinted with permission from Today's Buyer's Rep, Real Estate Buyer's Agent Council.

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!

Resources

Websites

- **Senior Real Estate Specialist (SRES®)**
  https://sres.realtor
- **Senior Real Estate Specialist, Resources for 50+ Real Estate**
  https://seniorsresource.realtor
- **National Association of REALTORS®**
  www.nar.realtor
- **NAR Research and Statistics**
  www.nar.realtor/research-and-statistics
- **AARP**
  www.aarp.org
- **American Community Survey, U.S. Census Bureau**
  www.census.gov/programs-surveys/acs
- **American Occupational Therapy Association**
  www.aota.org
- **American Seniors Housing Association (ASHA)**
  www.seniorshousing.org
- **Center for Universal Design, College of Design, North Carolina State University**
  https://design.ncsu.edu
- **Certified Relocation and Transition Specialist**
  www.crtscertification.com

- **Commission on Accreditation of Rehabilitation Facilities—Continuing Care Accreditation Commission**
  www.carf.org
- **Eldercare Locator**
  https://eldercare.acl.gov
- **Federal Interagency Forum on Aging**
  www.agingstats.gov
- **Genworth**
  www.genworth.com/aging-and-you/finances/cost-of-care
- **HelpGuide.org**
  www.helpguide.org/articles/abuse/elder-abuse-and-neglect.htm
- **HUD Certified HECM Counselors**
  https://entp.hud.gov/idapp/html/hecm_agency_look.cfm
- **HUD Home Equity Conversion Mortgage Webpage**
  www.hud.gov/program_offices/housing/sfh/hecm/hecmabou
- **Institute for Mobility, Activity, and Participation**
  http://driving.phhp.ufl.edu
- **Justice in Aging**
  nsclc.org
- **Leading Age**
  www.leadingage.org
- **LGBTQ+ housing protections by local community or state**
  www.lgbtmap.org/equality-maps/non_discrimination_laws
- **Medicaid Planner**
  www.medicaidplanningassistance.org/find-a-medicaid-planner
- **National Aging in Place Council**
  www.ageinplace.org
- **National Association of Senior Move Managers**
  www.nasmm.org
- **National Center on Elder Abuse**
  www.ncea.aoa.gov
- **National Council on Aging (NCOA)**
  www.ncoa.org

- **National Resource Center on Supportive Housing and Home Modification**
  www.homemods.org
- **NAR Data Security and Privacy Toolkit**
  www.nar.realtor/data-privacy-security/nars-data-security-and-privacy-toolkit
- **National Adult Day Services Association**
  www.nadsa.org
- **Program of All-Inclusive Care for the Elderly (PACE)**
  www.npaonline.org
- **Retired Brains**
  www.retiredbrains.com
- **National Resource Center on LGBT Aging**
  www.lgbtagingcenter.org
- **Senior Job Bank**
  https://seniorsjobbankct.org
- **U.S. Department of Health and Human Services: Administration on Aging**
  www.hhs.gov/aging
- **U.S. Government Accountability Office**
  www.gao.gov
- **Volunteer Match**
  www.volunteermatch.org

Magazines and Ezines

- **On Common Ground**
  www.nar.realtor/on-common-ground
- **AARP Magazine**
  www.aarp.org/magazine
- **Grand Times Magazine**
  www.grandtimes.com
- **Reminisce Magazine**
  www.reminisce.com
- **RV Life Magazine**
  https://rvlife.com/magazine

- **Senior Citizen Journal**
  www.seniorcitizenjournal.com
- **Seniors Lifestyle Magazine**
  http://seniorslifestylemag.com/

Books

- ***Age in Place: A Guide to Modifying, Organizing and Decluttering Mom and Dad's Home***
  Lynda Shrager
- ***AgeProof: Living Longer Without Running Out of Money or Breaking a Hip***
  Jean Chatzky
- **Age Wave**
  Ken Dychtwald Ph.D. and Joe Flower
- ***Disrupt Aging: A Bold New Path to Living Your Best Life at Every Age***
  Jo Ann Jenkins
- ***Encore: Finding Work that Matters in the Second Half of Life***
  Marc Freedman
- ***From Age-Ing to Sage-Ing: A Revolutionary Approach to Growing Older***
  Zalman Schachter-Shalomi
- ***Get the Most Out of Retirement: Checklist for Happiness, Health, Purpose, and Financial Security***
  Sally Balch Hurme
- ***The Gift of Years: Growing Older Gracefully***
  Joan Chittister
- ***The Happiness Curve: Why Life Gets Better After 50***
  Jonathan Rauch
- ***Happiness Is a Choice You Make: Lessons from a Year Among the Oldest Old***
  John Leland
- ***How to Retire Happy, Wild, and Free: Retirement Wisdom That You Won't Get from Your Financial Advisor***
  Ernie J. Zelinski

- ***Ikigai: The Japanese Secret to a Long and Happy Life***
  Hector Garcia
- ***The Longevity Economy***
  Joseph F. Coughlin
- ***Natural Causes: An Epidemic of Wellness, the Certainty of Dying, and Killing Ourselves to Live Longer***
  Barbara Ehrenreich
- ***Neither Married Nor Single: When Your Partner has Alzheimer's or Other Dementia***
  David Kirkpatrick
- ***The 100-Year Life***
  Lynda Gratton and Andrew Scott
- ***On the Brink of Everything: Grace, Gravity, and Getting Old***
  Parker J. Palmer
- ***Who Will Take Care of Me When I'm Old?: Plan Now to Safeguard Your Health and Happiness in Old Age***
  Joy Loverde
- ***Younger Next Year: Live Strong, Fit, and Sexy—Until You're 80 and Beyond***
  Chris Crowley

Generational Formative Events

Silent Generation	**1940**	▶ End of WWII (1945) ▶ Start of Cold War (1947)
	1950	▶ Korean War (1950—1953) ▶ Soviets launch first satellite Sputnik (1957)
Baby Boomers	**1960**	▶ Construction of Berlin Wall (1961) ▶ Cuban Missile crisis (1962) ▶ John F. Kennedy assassination (1963) ▶ Assassination of Martin Luther King Jr. (1968) ▶ Assassination Robert Kennedy (1968) ▶ Moon landing (1969) ▶ Woodstock (1969)
Generation X	**1970**	▶ Watergate (1970s) ▶ Vietnam War and protests (1959—1975) ▶ Iran Hostage Crisis (1979—1981)
Millennials	**1980**	▶ Chernobyl (1986) ▶ Space Shuttle Challenger explosion (1986) ▶ Fall of the Berlin Wall (1989)
	1990	▶ Dissolution of Soviet Union (1991) ▶ Gulf War—Desert Storm (1990—1991) ▶ Rodney King trial and riots (1992) ▶ Oklahoma City bombing (1995) ▶ Columbine school shooting (1999) ▶ Corporate downsizing, layoffs ▶ Internet, global connectedness
	2000	▶ 9/11 terrorist attacks (2001) ▶ Virginia Tech shooting (2006) ▶ Great Recession, home foreclosures (2007—08) ▶ Covid-19 Pandemic (2020)

HECM Certification of Counseling

▶ **Visit the link below for the official Certificate of HECM Counseling form**
entp.hud.gov/clas/upload/163234630.pdf

Certificate of HECM Counseling

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

Certificate Number: **163234630**
OMB No. 2502-0524 (expires 4/30/2017)

Provision of this information is required to obtain mortgage financing. 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 24, 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) — Power of Attorney (if present)
DAVID E BROWN, BONNIE L BROWN

Non-Borrower spouse (if applicable)

Current Property Address City/State/Zip of collateral securing the HECM if known at the time of counseling
113 TETON RIDGE, LAKE WINNEBAGO, MO 64034

The U. S. Department of Housing and Urban Development (HUD) requires that homeowner(s) and if applicable, non-borrower spouse 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 HUD's guidelines and protocol 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) and other participants

1. Options other than a HECM that are available to the homeowner(s), including other housing, social service, health and financial options.
2. Other home equity conversion options that are or may become available to the homeowner(s), such as other reverse mortgages, HECM for Purchase, HECM Saver, sale-leaseback financing, deferred payment loans, and property tax deferral.
3. The financial implications of entering into a HECM.
4. A disclosure that a HECM 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).
5. 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.
6. 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.
7. The HECM will be due and payable when no remaining borrower and if applicable, non-borrower spouse lives in the mortgaged property, or when any other covenants of the mortgage have been violated. The non-borrower spouse has been advised of implications and consequences of requirements to adhere to all items of the HECM loan if the surviving non-borrower spouse choosing to remain in the property encumbered by a HECM mortgage (Borrowers are those parties who have signed the Note and Mortgage or Deed of Trust.)

I hereby certify that the homeowner(s) as well as other participants required to be counseled listed above have received counseling according to the requirements of this certificate and the standards of HUD, as described in mortgagee letters, handbooks, protocols, regulations, and statute. In states that require face to face counseling or a waiver from the homeowner declining such the homeowner(s) signature below acknowledges said waiver provisions. This interview was held **via Telephone** and the amount of time required to cover the above items was as follows: **50** minutes. This certificate was not prepared before the counseling session occurred.

Counselor's Name (Printed):	HUD-Approved Counseling Agency Name:	
RONALD FARMER	**CREDIT & HOMEOWNERSHIP EMPOWERMENT SERVICES, INC.**	
Counselor Name (Signature & Date):	Address (Street/City/State/Zip)	
	3125 GILLHAM PLAZA **KANSAS CITY, MO 64109**	
	Telephone No:	Agency Housing Counseling System ID:
X	**816-533-7417**	**80676**

HomeOwner and/or Non-Borrower Spouse 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. If applicable, this also certifies that I/We have been advised of the implications for Non-Borrower spouses. This information may further help 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 the Real Estate Settlement Procedure regulations at 24 CFR part 3500 (see 24 CFR 3500.8).
HECM for Purchase Certification: I/we hereby certify that I/we have been informed the HECM for Purchase program requires a significant monetary investment which will be applied to satisfy the difference between the HECM principal limit and the sales price of the property, plus any HECM loan related fees that are not financed in the loan, minus the amount of earnest deposit. I/we further understand that these funds must come from cash on hand or cash from the sale or liquidation of my/our assets and that the lender will verify the source of the monetary investment.

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

Non-Borrower Spouse Signature and Date (if applicable)

POA/Guardian Signature & Date

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

Upfront Fee for Counseling Session:	**$125.00**	Financed Fee for Counseling Session:	**Not Entered**	**Fees not waived**
Date Counseling Completed:	**11/02/2016**	Certificate Expiration Date:	**05/01/2017** (180 days from date HECM counseling completed)	

form **HUD-92902** (8/2011)

Converting a Second Home to a Primary Residence

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® 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 season 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