

“FOR BOOMERS ONLY”

Edition #7

A DEFINING PERIOD

The past two years have been the most confusing and debilitating period in the lives of most of America's seniors. As their adult children have wrestled through the challenges of the current recession, the Greatest Generation has been confronted with the unthinkable – all of their meticulous planning for the “Golden Years” has been thrown out the window. As a result, our country may now be on the brink of a major transformation in the way our families deal with the entire issue of aging.

As this economy begins to emerge from the crippling recession, Parc Communities is convinced that Boomers throughout the country will collectively determine yet another sociologically defining aspect of their identity. Already recognized as the most self-indulgent generation in history, the Boomers will, in the next few years, clarify how they visualize their own “Golden Years” by the hard choices they make concerning their parents.

The choices are clear. They relate to the sacrifice of personal giving versus financial security. The first option will be to adopt a model which has existed throughout the ages in most of the world. That is for the Boomer to provide housing and personal care for an aging loved one and preserve the family estate. The second alternative is to minimize personal responsibility in exchange for the likelihood of a diminishing estate.

In 2008 and 2009, Parc Communities advised our residents, future residents, and their adult children of the forthcoming economic storm. Our vision has proven to be eerily prescient. As we enter the spring of 2010, we now foresee an interesting and improving dynamic. Today's seniors, most of whom have simply waited out the recession, have delayed important lifestyle decisions to the point that many of them will no longer have the luxury of making a choice. Instead, they and their families will be increasingly confronted with decisions that are related to the very real need for services and/or care.

These seniors, and their needs, will necessitate the first wave of choices for the adult child. By the end of 2011, statistics should begin to verify what choice a majority of Boomers will be making. At Parc Communities, there is not yet enough evidence to give us an indication one way or another. What we do know, however, is that what would have been a clear cut choice for most Boomers two years ago – to find suitable assisted living or home healthcare – is no longer such an easy decision. The financial implications of assisted living or home healthcare, overlaid with significantly diminished net worth and high unemployment, is forcing many seniors and their adult children to consider what has heretofore been the unthinkable – Mom moving in with the kids.

Independent seniors, who have also delayed lifestyle choices, are now reaching the point at which they can simply no longer postpone these important decisions. The world of today is not one which they envisioned, or for which they planned. To relieve themselves of the burdens of home ownership and to enjoy the benefits of living in a service-enriched community, they may have no choice but to spend down a meaningful percentage of the estate. The reality, however, is that they, as a generation, have always been self-sacrificing. They will not easily choose to enhance their own lifestyle to the perceived financial detriment of their children.

Fortunately, most of these seniors can “have their cake and eat it, too.” More often than not, both the seniors and their adult children have a serious misconception of the apples-to-apples cost comparison of maintaining their current lifestyle versus spending their remaining years in a socially invigorating, “service-enriched” environment. Boomers who take the time to clearly evaluate the economic implications of the various options and alternatives should be able to proactively direct their parents toward a win/win solution. Those who do not will ultimately be entangled in a “needs” driven decision which is the result of procrastination.

One thing is certain; the supply of high-quality senior housing options is diminishing. New construction stopped in 2008 and it will be several years before future communities are developed. The recent uptick in leasing will likely lead to an acute shortage of available senior housing by 2011. Delaying a decision on this important matter will relegate many independent seniors to a fearful compromise for their “Golden Years.”

Regardless of what the Boomer generation as a group elects to do with regard to their aging parents, informed families will have a distinct advantage in the coming years. Clearly understanding the comparative costs of home ownership versus a turnkey “service-enriched” lifestyle is the first step. Paramount in that formula is the lost earning power on home equity. As interest rates begin to rise, and they inevitably will, this often overlooked aspect of the cost comparison will become more conspicuous. By the time a family considers the cost of meals, housekeeping, activities, transportation, and watchful oversight along with lost earning power, most will discover that they can offer Mom a carefree social lifestyle and still preserve the estate.

As this economy begins a slow recovery, all of us will likely discover that the world has changed. Boomers will regroup and forge ahead with revised expectations. Will they, as a generation, decide to personally oversee their aging parents, or will they accept some financial exposure in exchange for a better lifestyle option for their loved one?

The answer to that question is emerging. It will give those of us in the senior housing industry a definitive guideline for the future. If you are currently dealing with this issue, don’t assume facts that may not be valid. Your parents’ lifestyle is but another challenge for you. For them, today’s decisions will affect the rest of their lives.