FAMILY VALUE | By Kelly Greene

Beyond Long-Term Care

As long-term-care-insurance costs climb, families are turning to continuing-care retirement communities as an alternative.

Long-term-care insurance generally pays for home care, assisted living or skilled nursing when a policyholder suffers from dementia or needs help with at least two "activities of daily living," such as bathing or dressing.

But insurers have been battered by low interest rates and expensive claims, leading a few large firms to quit selling new policies in the past few years. Others have jacked up rates on existing policyholders.

That has led some families and financial advisers to look for other ways to hedge against the potential for late-life custodial care that can decimate decades of retirement savings in just a few years.

Some families are choosing CCRCs. They offer a range of care depending on medical need, from independent living that appeals to some healthy older adults seeking social activities, transportation or meals to 24-hour skilled-nursing care.

Be warned: CCRCs don't come cheap. The average entrance fee for a CCRC unit, typically an apartment or a villa, is $280,000, according to the National Investment Center for the Seniors Housing and Care Industry, a research and data group in Annapolis, Md., in addition to monthly fees.

The communities come in different flavors. Those that offer "life care," or Type A, contracts typically charge the same monthly rate for an independent-living villa or for 24-hour skilled-nursing care.

That means the only financial unknown is how long you will live, rather than how much your future care will cost. As a gauge, the average monthly rent at assisted-living facilities hit $3,500 last year, up 17% from 2008, outpacing overall inflation, according to the MetLife Mature Market Institute's 2012 study of long-term-care costs. (**MetLife** stopped selling new long-term-care policies in 2011.)

Even CCRCs with a more a la carte approach to pricing long-term care generally offer some degree of protection. Communities with Type B contracts, for example, typically discount the cost of additional care for a set time period. Type C facilities charge more for residents who move into assisted-living or skilled-nursing units, but also charge smaller or no entrance fees and lower monthly rates for independent living.

Paying lower fees while a loved one is healthy might appeal to families who would rather pay as they go but are glad to have the person settled in a place that can meet changing needs as an illness progresses.

Take care while shopping: Since 2008, a few communities around the country and one large operator, Erickson Retirement Communities, have sought bankruptcy protection. (Erickson was bought and renamed Erickson Living.) Other CCRCs have cut staff, reduced services or postponed opening assisted-living or skilled-nursing units. And even financially stable CCRCs have drawn their residents' ire, sparking lawsuits in a few places, by using their capital to acquire other facilities on shakier footing.

Here's what to keep in mind when weighing the financial pros and cons of moving to a continuing-care community.

◆ **Factor in the savings.** If you are 70 years old and pay $400 a month for long-term-care-insurance premiums, you might think you have your long-term-care needs covered, says Justine Vogel, chief executive of **RiverWoods**, a three-campus CCRC in Exeter, N.H.

But if you are receiving care at home, you would have to keep paying for housing, property tax, utilities and food. Those costs are included in CCRC payments, some of which also can be tax-deductible as a medical expense.

"If you do the math, it becomes pretty reasonable, even without all of the social benefits that come with it," Ms. Vogel says. She argues that CCRCs also offer the same sort of reassurance that comes with buying an insurance policy: "You know what you're getting, so it's easy for people who plan to understand what their future costs will be."

One note: Couples typically get a package deal on steep CCRC entry fees because those fees are associated with living units. If the general entrance fee costs a few hundred thousand dollars, most places charge a much smaller supplement for the spouse.

◆ **It's OK to bargain.** Some CCRC facilities have seen waiting lists dwindle in recent years as older adults found it tougher to sell their homes so they could come up with the deposit. That means retirees who are prepared to negotiate have some leverage.

Irvin Schorsch III, president of **Pennsylvania Capital Management** in Jenkintown, Pa., says he helps clients break down the costs and benefits of various CCRCs they are considering. He often manages to help them get price breaks, new appliances or even golf-cart maintenance.

◆ **Do due diligence.** To get a feel for a community's finances, ask for a copy of its audited financial statements. Look for the number of days with cash on hand along with cash-to-debt ratio, and ask management how that compares with competitors.

Ms. Vogel recommends asking the community's chief financial officer if the organization has met all of its debt terms, whether it is rated by Standard & Poor's Ratings Services or other agencies, and whether it is accredited by Carf International, a nonprofit industry group. You can find a consumer guide to CCRC finances at carf.org (under the "Resources" tab).

"If an organization is not willing to share their financial statements with you, that should be a red flag," Ms. Vogel says. Some facilities post their financial information online.

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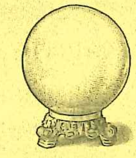
CRYSTAL BALL

What's ahead for the Dow industrials?



Send your prediction to **crystalball@wsj.com** by midnight EST Sunday, with your full name, city, state and phone number. The first reader who gets it right will be named in next Saturday's paper.

◆ For the last couple of weeks, the Dow Jones Industrial Average has flirted with setting a record price. To reach an all-time closing high, the Dow would have to close above 14164.53. On Friday, it closed at 13981.76. What will be its closing price on Wednesday?

A tip of the hat to Joe Benning of Spring Lake, N.J., for coming closest to guessing January's retail and food-services sales of $416.6 billion, after adjusting for seasonal factors.