

Senior Real Estate Outline

1. Quiz, Generational Overview FOR FUN, DO YOU REMEMBER?
2. Thinking of retiring? What do I do next?
 - a. 5 P's PRIOR PLANNING PREVENTS POOR PERFORMANCE
 - b. Start planning now if you haven't already.
3. Duostadning- Handout (SWEDISH DEATH CLEANING)
4. Financial wellness
 - a. Americans 55yrs and older hold 3/4 of the nation's wealth.
 - b. STUDENT LOAN DEBT DID YOU BORROW TO PAY FOR CHILDRENS EDUCATION?

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 Reserve Bank of New York Consumer Credit Panel data shows that 2.8 million Americans age 60 or older have student loan debt. "The average amount of student loan debt owed by borrowers age 60 and older roughly doubled from 2005 to 2015, increasing from \$12,100 to \$23,500. As of 2015, borrowers age 60 and older owed a total \$66.7 billion in outstanding student loan debt" NAR's 2020 Home Buyer and Seller Generational Trends research study found a median student loan debt load of \$30,000 for a significant number of borrowers age 53–63—crucial years for accumulating retirement savings.

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

5. MULTIGENERATIONAL HOUSEHOLDS Gen X is the new Sandwich

Generation

a. NAR's Home Buyer and Seller Generational Trends survey reports that close to half (46%) of home buyers age 55 and older purchased multi-generational homes to take care of aging parents, because children over the age of 18 were moving back, and for cost savings.

6. GRANDFAMILIES

4.8 million the number of Americans children being raised by a grandparent

7. SOLO AGERS

35.8% percentage of Americans age 65+ widowed, divorced, separated. 5.7% percentage of Americans age 65+ never married

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.³³

- ← 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.

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
- ← **No-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 no-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 MORE THAN LIKELY SPENDING MORE MONEY NOW.

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 when 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 SPENDING LIKELY SLOWS

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 NO-GO YEARS *SPENDING INCREASES SELF-CARE/HEALTHCARE*

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.

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.

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

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.

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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.

The skills you need to age in place:

ADLs = Activities of daily living

Basic ADLs:

The ability to move from one position to another. The ability to feed oneself. Select clothes and dress oneself. The ability to bathe and groom oneself and maintain personal hygiene. Bladder control and bowel function.

Instrumental ADLs:

Managing transportation, driving oneself or organizing other means. Managing finances, paying bills, managing financial assets. Shopping and meal prep. House cleaning and home maintenance. Managing communication with others, telephone, mail, digital correspondence. Managing medications: obtain medications and take them as directed.

Make a SAFE Plan for Aging in Place

S = Safe is the neighborhood or home safe?

A = Access shopping, services, family and friends near?

F = Fits Needs does community, home still fit the needs?

E = Ease of use does community or home provide ease of movement?

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.

Capital Gains Tax on Sale of Principal Residences

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. 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.

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:

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.

***** There is currently a bill being introduced in our legislature raising the capital gains exemption from \$250,000.00 single and \$500,000.00 married to \$500,000.00 single and \$1,000,000.00 married. This exemption has remained the same for over 30 years and it is time to update this. The bill is being supported by the National Association of Realtors. *****

Contact me for updated information and all related expenses in the sale of your home.

MICHIGAN LAW RECOGNIZES A LADY BIRD DEED, OTHER STATES HAVE SIMILAR DEEDS SUCH AS TRUST UPON DEATH DEED, OR BENEFICIARY DEEDS. HELPS YOU AVOID PROBATE. GOOGLE LADY BIRD DEED OR CHECK IT OUT ON YOUTUBE. SEE A TAX EXPERT FOR ALL THE PROS AND CONS.



The Skills You Need to Age in Place

According to the U.S. Centers for Disease Control and Prevention, aging in place is “the ability to live in one’s own home and community safely, independently, and comfortably, regardless of age, income, or ability level.” Eighty-eight percent of Americans between 50-80 years old believe that aging in place is important, but many will need assistance to continue to live independently. What abilities must you or your loved ones need to live safely and independently? The healthcare community identifies these activities of daily living (ADLs) as the skills a person needs to care for themselves:

Instrumental ADLs

Managing transportation, either via driving or by organizing other means of transport.

Managing finances: paying bills and managing financial assets.

Shopping and meal preparation.

Housecleaning and home maintenance.

Managing communication with others: telephone, mail, digital correspondence.

Managing medications: obtain medications and take them as directed.

Basic ADLs

The ability to move from one position to another and walk independently.

The ability of a person to feed oneself.

The ability to select appropriate clothes and to put the clothes on.

The ability to bathe and groom oneself and maintain dental hygiene and nail and hair care.

The ability to control bladder and bowel function.

The ability to get to and from the toilet, use it appropriately, and clean oneself.

**This information comes from the National Library of Medicine, retrieved at www.ncbi.nlm.nih.gov/books/NBK470404*

People unable to perform some of these ADLs are often able to continue living independently with support. Knowing the areas in which you or your loved one needs assistance makes aging in place more possible, and gives seniors and their family members peace of mind.

If you have concerns about either yourself or a loved one being able to care for themselves, reach out to your doctor or local senior support center for help. They can assess ADLs and recommend interventions to help you and your loved ones age in place safely and confidently.

Sources:

bit.ly/ruralhealthtoolkit

bit.ly/betterhealthwhileaging

bit.ly/healthyagingpool

To learn more about aging in place and explore support and resources, connect with the following resources:

Eldercare Locator
800-677-1116
eldercarelocator@n4a.org
www.eldercare.acl.gov

USAgging
202-872-0888
info@usaging.org
www.usaging.org

Centers for Medicare & Medicaid Services
800-633-4227
877-486-2048 (TTY)
www.cms.gov
www.medicare.gov

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