rd Works®

IN THIS ISSUE:

THE PHILOSOPHY OF MORE

We've all heard no margin, no mission but with the raising demographic tide approaching we all need to focus on serving more people and preparing our communities, programs and systems to better more lives. That is how the RD team arrived at our new slogan: **More Margin. More Mission.**

RD's job is to create more revenue which leads to more margin and more mission. We appreciate being the voice of the future customer in master planning … shaping the market and consumer research. We understand it is our job to bring new ideas that are proven in similar situations. We jump in and roll up our sleeves to work as part of your team to win in challenging situations. The theme throughout is to stay focused on more customers, more revenue, more margin and more mission. ***Thank you to all who have invited us to be a part of their teams, their stories and their missions.***

THE RD TEAM *Left to right:* **Jeff House,** *Director of Research and Principal*; **Tina Mcleod,** *Principal, Consultant;* **Patti Briggs,** *Principal, Sales Specialist;* **Ann Marie Ladis,** *Principal, Consultant;* **Beth Williams,** *Administration;* **Patti Hutton**, *Principal, Consultant;* **Bonnie Blair,** *Founding Principal;* **Bobby Sumner**, *President, Founding Principal;* **Perry Aycock,** *Principal and CEO;* **Patty Scotten,** *Marketing Manager, Consultant;* **Deborah Potter,** *Consultant.*

Our Cover Story

By Perry Aycock

MASTER PLANNING AND GENERATIONAL THINKING

A Market Focus = More Margin and More Mission

MASTER PLANNING IS AN EXERCISE IN GENERATIONAL THINKING:

- What will the market want in five, 10, 20 years?
- How can your campus and services evolve in the near term in a way that opens up those future opportunities?
- Since change is the only predictable part of that future, how do you find your guiding stars in this planning process?

Historically, architects and accountants have led these exercises, but as the pace of change accelerates many teams are adding marketing-based perspective to the process. Retirement DYNAMICS is fortunate to have more than 8,000 age and income qualified prospects' opinions to provide perspective and direction. We always like to pull the demographics for today's and tomorrow's generation of customers to analyze the positive or negative changes in demand for residences or services. It is often enlightening to map those current and future customers and compare them to the geographic pattern of historic move-ins.

There is great value in creating a campus team or working with an outside partner that has the ability to model investments in renovations, construction, debt capacity and staffing for the best short-term opportunities. This expertise also allows a look back at key financial measurements and historic trends and encourages thoughtful conversations about future changes in occupancy and reimbursement.

The most important part of this process is how to pull it all together; decide on the first steps and the communication to inform key constituents and board members. Often, using a thinking map helps collect all the facts, opinions, emotions and options into a cohesive pattern that illuminates that path forward.

"RD's involvement in our master planning team changed our thinking and helped us focus on the path of our future customer. It also led us to a plan that provides a better legacy to our community and those who will serve in our roles in the future, giving them greater flexibility and opportunity to serve the future market."

Charley Tirrell

President and CEO, Riverview

Spokane, WA

If you are considering adding to your campus and services and want to be sure things are complementary and forward looking with your customer in mind, RD is happy to catch up and share how others in similar situations have moved forward with speed. Just let us know how best to connect.

HIGH REFUNDS, HIGH RISKS... HIGH PRIORITY

By Patty Hutton

Despite the fact that the recession is over, many sources point to the probability of more senior housing bankruptcies in the next year than during 2008 and 2009. The demographic trough of the Silent Generation, the increased move-in age, subsequent shorter stays and higher attrition, as well as deferred capital improvements are all significant contributors.

Refund liabilities for the 90% and higher entrance fee refunds were one of the most significant causes of the majority of the bankruptcies during the recession. When the housing market slows, and prices or sales decline, those refunds become a weight that is difficult for communities to carry. Without an incredibly deep reserve of cash to pay refunds to families, new move-ins slow and public relations on a personal and legislative level turn negative.

The new accounting rules in 2014 treat those refund liabilities differently, which makes communities' balance sheets look very unappealing to customers and their advisors. In the current persistent low interest rate environment, the actuarial computations that should have set those refundable fees are often significantly out of date and, as such, many 90% refund plans are significantly underpriced.

SO WHAT CAN YOU DO?

The first step is to have high occupancy. If you are not there yet and haven't been for some time, ask for some outside perspective on how you can move in that direction. It is better to embark on this path of your own volition than to wait for your financial situation or partners to encourage you to do so.

Ideally, once you have achieved those goals, you can migrate away from those higher refundable plans. Communities in strong positions can keep their entrance fee pricing in roughly the same range while reducing the refundable amount year over year. The 90% refund becomes the 80% refund, becomes the 70% refund. This takes years and is not without its challenges, but it provides a path away from those liabilities and allows the market to step slowly along with you. Other times communities may need a faster path or they may not be in the strongest position.

RD's extensive consumer research database of more than 8,000 age- and income-qualified respondents supports that lower monthly fees are consistently more important to customers than lower entrance fees or the plan's refundability. Offer customers the same or higher monthly fees on your 90% refundable plans while offering a lower monthly fee on a lower refund plan.

Work with your accounting, marketing and actuarial teams, or call us to talk through what some of your options might be. We are happy to share what other communities have done in similar situations.

> **"We partnered with RD and CCRC Actuaries on a comprehensive review of entrance/monthly fee pricing. Objectives were to address long-standing internal inconsistencies, stay market competitive, and reach a better actuarial balance between refund options. We also identified an opportunity to create a new contract offering which provided a 'life care' option. Achieving the right balance among these goals required a close collaboration between the consultants, management, and marketing staff. Two years post-implementation we are pleased with the results. We are producing greater average revenue per unit and actuarial margins have improved."**
>
> **Ben Puckett,** *CEO of Williamsburg Landing, Williamsburg, VA*

BALANCING INTERNAL AND EXTERNAL COMPETITION

By Patty Scotten

Resurgence in the housing market has created a healthier environment for seniors to transition into senior housing. As a result, many existing senior living communities are seizing the opportunity to expand their area of independent living.

Many organizations choose, or are required, to complete a market assessment or study before moving forward with an expansion project. Market studies often focus on the following: current housing prices, the local real estate market, area competitors and their pricing structure, penetration rates, and saturation rates. What may not be addressed is internal competition. If communities are not careful, new construction and existing residences can become unfortunate competitors.

Existing residences can become unwieldy competitors against your planned new construction IF their pricing is significantly lower.

If the new construction requires a higher residence entry fee, then the existing residences have lower entry fees and are more attractive. Communities should review the anticipated entry fees of new residences juxtaposed with current residences' entry fees. Assuming all things are equal — such as quality, finishes, location, etc. — the price per square foot should be similar. Many times, an analysis reveals that the existing homes have a lower price per square foot, and at that point, organizations have to consider adjusting the current fees with an eye on the external market and eye on ensuring the existing residences do not cannibalize sales within their own walls.

Newly constructed residences can become aggressive competitors against your existing residences IF your current offering is not competitive in today's market, either from a finish or a square footage standpoint.

When an organization has delayed maintenance or has not renovated areas or residences to keep up with the current "look," a new building often has a better first impression and greater appeal. Therefore, when considering construction, an organization should take a serious look at their current residences to be sure they meet the standards and desires of the current competitive market.

In some cases, a community may have a significant number of smaller residences; for example, studio-sized apartments that have experienced a decline in demand. Senior living providers can employ several strategies to successfully market or utilize these studios:

- COMBINE SMALLER APARTMENTS TO CREATE MORE DESIRABLE SIZES
- TURN SMALLER APARTMENTS INTO GUEST APARTMENTS
- UTILIZE SMALLER APARTMENTS FOR SPECIALIZED SERVICE PACKAGES SUCH AS CATERED LIVING / INDEPENDENT LIVING PLUS
- TARGET A SPECIFIC CUSTOMER FOR THE STUDIOS (WIDOWERS)

External competition is tough enough, so be sure that you do not create a competitive product within your own organization that lowers the pace of sales for a particular area or residence. If you would be interested in a Marketing Assessment or Pricing Study, Retirement DYNAMICS would love to prove its value by clarifying the "right pricing" for your independent living homes.

ARE YOU CONTENT WITH YOUR CONTENT?

10 Best Practices for Writing Effective Web Content

By Ann Marie Ladis

You only have a few seconds to make a first impression on your website audience. If they are leaving as soon as they arrive at your site, chances are you're not motivating them to learn more about your community — your content is not doing its job. And even the most obvious elements, those we tend to overlook, are often the most effective.

Here are some simple tips to improve your content.

1. MAKE IT COMPELLING.
Grab their attention and keep them interested with content that is relevant, thoughtful, and engaging (not 'salesy'). Make it an emotional appeal. Use humor when you can — people like it.

2. KEEP IT SIMPLE.
Your content needs to quickly and clearly communicate. Make sure information is easy to find, easy to read, easy to follow. Use conversational language.

3. MAKE GOOD USE OF HEADLINES.
Never underestimate the impact of well-crafted headlines. Should they be catchy and clever, or straightforward? As long as you clearly get your message across, you can do either.

4. ORGANIZE INFORMATION THOUGHTFULLY.
Remember the attention span of an online reader — breaking up information makes it easier to read, easier to digest. Prioritize information so it's logical. Use bulleted lists. Group and categorize content.

5. BE TRUTHFUL.
Don't say you are a state-of-the-art community if you are not. (Prospects will soon figure this out, and the chance to gain their trust will be gone.) You're trying to develop a relationship. Building trust is essential.

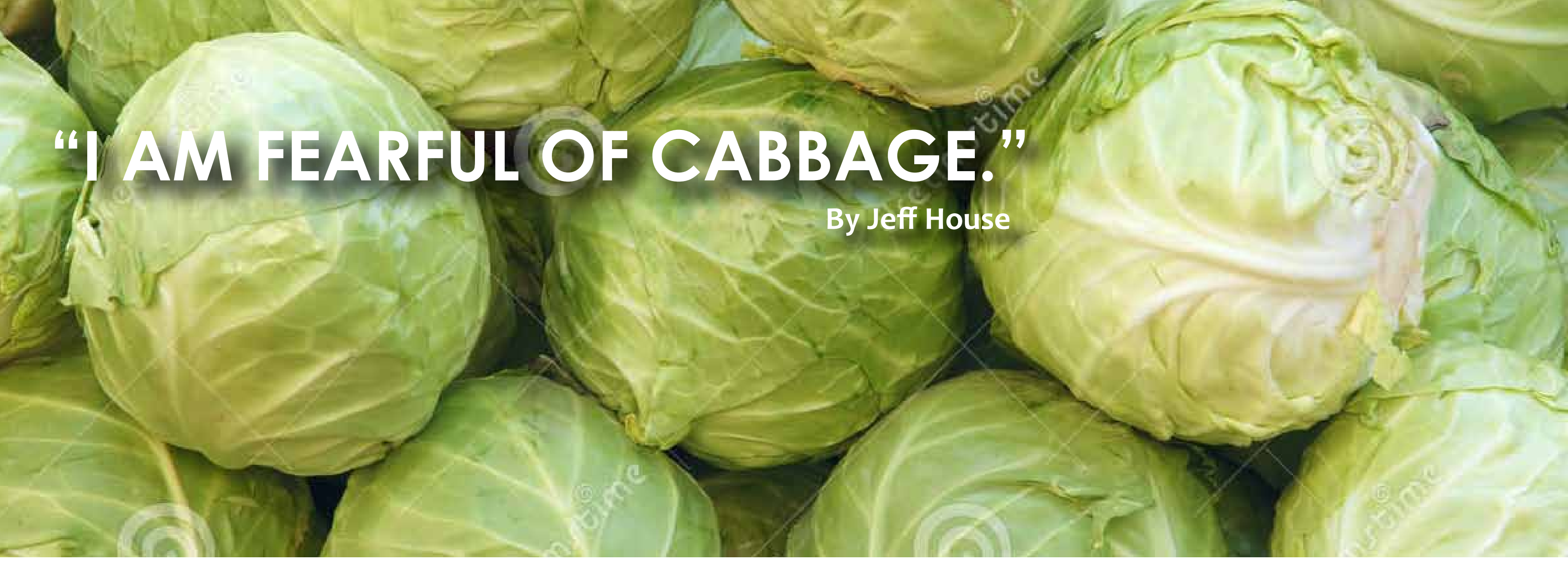
6. ADD A BLOG.
Blogging is integral to your content strategy. It gives you the opportunity to create relevant content, position your community as an industry leader, and build better relationships with your customers. Tell stories they will want to share.

7. FEATURE TESTIMONIALS.
Your customers say it best, and others will want to hear about it. Highlight authentic testimonials — those with a name, face, and even voice, if you include video testimonials (even better!) — to give prospective residents an inside look at your community and help build their trust.

8. INCLUDE VIDEO.
Incorporating video into your website can be extremely effective in engaging your audience — even more so than text. (Use it in your social media and email campaigns, too.) Tell a good story. Keep it relevant and positive — bad video is as impactful as good, but not the kind of impact you want.

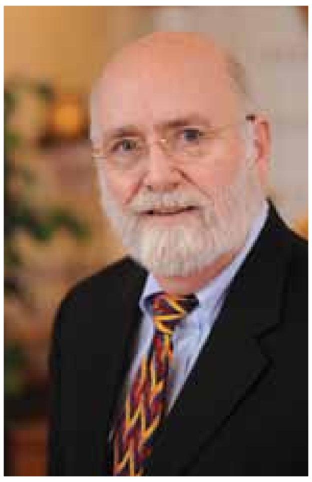
9. USE CORRECT GRAMMAR AND SPELLING.
If you want your audience to take you seriously, make sure your grammar and spelling are correct. Punctuation is important, too. (Even an incorrectly placed comma can throw the meaning off, just like that.) Please take time to proof before you publish.

10. KEEP IT FRESH.
Your content, just like customer relationships, needs nurturing. It can be a challenge, having the time or resources to sit down and come up with fresh content. Good news: you don't always have to start from scratch — repurpose blog articles and other material. Fresh out of ideas? Consider using one of the many online content recommendation tools available.
Effective content is key to connecting with your prospects and generating leads. Don't miss this important opportunity to bring them one step closer to becoming your customer.



"I AM FEARFUL OF CABBAGE."

By Jeff House



Our clients at Retirement DYNAMICS commission consumer research for two reasons: sometimes they know the question but not the answer; and sometimes they need evidence to confirm, or refute, the answers they think they already know.

Whatever the reason that you start an inquiry, one of the serendipitous benefits of consumer research is that you often discover some of the things you didn't know that you didn't know.

For example, in a recent consumer interest survey, we simply asked people for their reactions to the continuing care-at-home concept. Most of the comments were familiar, even expected: "a good alternative choice to retirement communities," "I don't know enough about it yet," "I want to live in my home with care until I no longer can have a quality life," and "at this point in our lives it seems way too early to move to a "retirement community."

But then one woman who preferred lifeplan-at-home to a life plan community explained, "I am fearful of cabbage (raw, cooked or otherwise). If you attempt to serve cabbage, we are NOT coming."

Now, a fear of cabbage is uncommon; even Google could not find a term for it. But before you rush to the conclusion that I must have found the one person in the world with cabbage-phobia, note that when I did a mini-focus group of nine seemingly normal people, I discovered one more who had the same fear.

I'm not suggesting that your community change its cabbage practices, but I know your prospective residents may have other thoughts and preferences that they embrace very strongly. And, if you don't ask them, you will never know what those preferences are and how to please the people who hold them.

HERE ARE A FEW FACTOIDS ABOUT PEOPLE WHO PREFER A CCRC TO A CONTINUING CARE AT HOME PROGRAM.

- They are 7 percent more likely to have long-term care insurance.
- They are three times more likely to have visited at least one life plan community.
- They are about the same age, but they see themselves moving about nine months sooner.
- They have slightly (but not meaningfully) lower incomes and home values.
- They've lived in their current homes the same length of time.
- They are 6 percent more likely to be couples than single individuals.
- A few people worried about who would come into their homes as caregivers.
- They did not see an at-home program as a complete solution; they want to know where and how health care could be provided.
- People with pets tend to like an at-home program better.

Radical Success: The Ultimate MAP for Retirement Living

By David Reibstein and Deborah Potter

Helping seniors relocate in retirement is very close to home for us. Homarc provides a no-hassle way to help them prepare and sell their home. But, finding the right community to move to can be just as complicated and stressful for seniors as selling their home. So why not help them with both: selling the home they have and helping them find their next perfect home, in independent living? That's exactly what we set out to do when we launched 55Living. But first, we needed the right sales approach and expertise — we called on Retirement DYNAMICS for help.

RD's RaDical Sales® process offered the unique approach to helping seniors find the right community that we were looking for: one that walks them through the entire process and is customized to fit their individual needs. We wanted to incorporate the intricate details of their system into our process. So began our work together, customizing RaDical to create MAPS (Moving Assistance Program System), a family-centered process that is different from other companies offering similar services.

HOW IS MAPS DIFFERENT?

- It's holistic, guiding each family to a unique thoughtful decision (or Map) about their future living situation and helping them sell their home. We developed 4 Maps that advisors use to help seniors choose the right community, plus a Moving Map to help them sell their house and prepare for relocation.
- It's personalized. MAPS assesses what stage a family is in and then provides the tools necessary to help take the next steps. Advisors nurture and advise until moving to a community becomes a natural step.
- It's relational. The emphasis on quality over quantity enables us to focus on fewer clients so we provide more attention to each family we serve, making their move to retirement as smooth and stress-free as possible.
- It's collaborative. MAPS connects families and communities in a way that other senior living services do not. Our advisors work closely with each family and community to ensure the best fit (in the family's best interest). It creates value for all.

55Living believes that families thrive in community living. Therefore our process enables families to live their fullest lives in retirement. MAPS is a vast improvement from what we were capable of doing before, and we are extremely pleased with the way RD was able customize their sales training program to specifically meet the needs of our model.

If you are interested in a client-centered sales approach for your sales and marketing team that is specifically customized to your organization, contact Retirement DYNAMICS and ask to hear more about the RaDical Sales® process.

THE RISE OF RENTAL RETIREMENT By Tina McLeod

For years, the standard plan for retirement was to pay off your mortgage and continue living in the family home, or perhaps sell that home and pay cash for a smaller home, possibly in a retirement community. But that plan has changed in recent years, as some retirees have joined their millennial children and grandchildren in choosing to rent rather than own or entrance fee model retirement communities. While their reasons vary, the trend indicates that renting is losing its stigma and that, for some older people, renting makes good economic sense.

Years before, there was always a stigma in renting. It seemed as though after years of hard work and owning part of The American Dream the idea of renting was like going in reverse psychologically and financially. This has significantly changed in recent years but before retirees decide that renting is a better option, they should get some real information about what their budget will cover. The questions come down to how strong is the rental market in the area that retirees are considering and how much would someone really have to pay for something acceptable or comparable to what they live in now.

One shoe does not fit all particularly in today's world of increasing retirement options. Bill Piper, Sales and Marketing Director for Carolina Bay a rental continuing care retirement community in Wilmington, NC, says, "Liberty Senior Living has been in the "rental" Independent Living, Assisted and Nursing Care business for many years, now Liberty has branched out into the CCRC concept, however, continuing the tradition of what Liberty does best... rental. A rental CCRC requires no upfront fees or buy-in. Allowing the individual flexibility to maintain control of personal finances. Yet, receiving the same benefits that a "buy in" community offers. One is not "paying" for a service that you may or may not need."

HERE ARE SIX REASONS THAT WE HEAR WHY RETIREES ARE CHOOSING TO RENT IN RETIREMENT:

They want to try out a new area. Many people fantasize about moving to Florida or Arizona or even another country when they retire. But those places can be big lifestyle changes and some people discover that the land of mosquitoes and endless summer is not for them. Plus, it's hard to choose a neighborhood when you don't know the city. Renting gives retirees an opportunity to try on a new lifestyle and check out neighborhoods without committing, particularly if people are relocating.

They expect to move soon. If the family house sells quickly and there is an expectation that there may be a need for assisted living within a few years, buying a retirement home or paying an entrance fee may not make good sense. Or perhaps the retirees are planning to move closer to children in a few years, but want to stay in their hometown a little longer. Renting makes it easier to move quickly. It is hard to really look ahead and know when to predict transition points. Renting while other options are being considered alleviates the extra burden of having to sell a home quickly.

They can't afford to own a retirement home or pay an entrance fee. The cost of the mortgage is just part of the cost of homeownership. Real estate taxes, condo or HOA fees and homeowners' insurance are somewhat predictable, but the cost of repairs is a looming unknown. Houses are expensive, and the expenses are unpredictable sometimes. And while owning is only one option, others choose to forgo the entrance fee model retirement community as well, desiring to keep control of the large upfront investment.

They want more freedom. Retirees don't necessarily want to spend the rest of their life in one place, and want to be free for adventure. That might mean long-term travel, living a few years near one child and then a few years near another, or maybe they want to test out various cities where they see themselves settling. In any of these scenarios, renting makes more sense and gives a lot of flexibility.

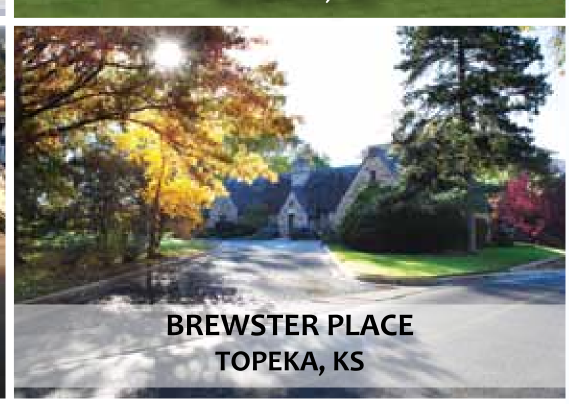
They want to tap the equity in their home. If the home is worth a lot of money but they have no access to cash for living expenses, selling the home and renting can be a good option for some, though they'll need to do the math and weigh this option versus a reverse mortgage.

They want to invest and manage their financial portfolio rather than tying it up in a traditional entrance fee retirement community or owning another home. A rental community is less of a long-term financial commitment and may make more financial sense for some.

Above are the majority of what we hear are the reasons people are choosing to consider renting a retirement home as opposed to ownership or entrance fee. For most, flexibility and freedom are the key.

The company we are—is because of the company we keep...

RD values the close relationships we have developed with so many of the great communities throughout the country. Our experiences have provided us all with valuable insights into the unique needs of the Senior Living Industry. We will continue to strive to work with our clients to achieve their goals, both for revenue and for those residents who call their communities home.



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