A guide to **Entrance Fees**

An introduction to what an entrance fee is, available options, how it is utilized, and why our Signature communities use them.

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Understanding Entrance Fees

A CCRC, or Continuing Care Retirement Community, is a type of retirement community that offers a range of housing options and care services for seniors as they age. CCRCs typically have different levels of care, including independent living, assisted living, memory support, and skilled nursing care, all within the same community.

An entrance fee is a financial component associated with Immanuel's CCRCs. Residents make a one-time, upfront payment when they move into the community. This amount can vary based on factors such as the type of housing unit selected, the location within the community, and the specific services and amenities offered.

Upon moveout from independent living in a Capital Return Plan (see page 4), up to 90% of the fee is refunded to the resident, their trust, designated beneficiary, or estate within 90 days. The refund is not dependent on the vacated apartment/townhome/patio home being reoccupied by another resident.

Immanuel is a self-sustaining non-profit and uses entrance fees to invest. Money from our investments is put back into Immanuel's communities through amenities, capital improvements, activities, and staffing.

Two Payment Plan Options

Seniors considering a retirement community with an entrance fee have two payment options at Immanuel: the Capital Return Plan and the Traditional Plan.

Capital Return Entrance Fee Plan

The Capital Return Plan refunds 90% of the initial entrance fee 90 days after the independent living agreement ends for any reason, including moving to the next level of care, moving to another community, or passing away. Immanuel utilizes the remaining 10% plus the interest grown over time to add to the amenity fund.

Many residents view the Capital Return Plan as a “nest egg” to help offset the cost of future health services, like assisted living, memory support, and skilled nursing.

Example: An apartment has an entrance fee of $150,000. After four years of living in the apartment, the resident decides to move to assisted living. Ninety days after they vacate their independent living apartment, $135,000 is refunded to the resident.

Traditional Entrance Fee Plan

For some seniors, the stress of leaving behind inheritances for their kids is not as high, and for others, health conditions or diagnoses make it unlikely they would stay in independent living for many years.

The Traditional Plan offers a lower entrance fee that is not refundable after a period of time. After paying the entrance fee at move-in, the money is drawn down 2% every month, over the course of 50 months, until the fee is depleted. Once depleted, the resident does not have to pay additional entry fee funds.

If the resident moves out of independent living before the 50 months expires, a prorated refund of any remaining entrance fee is returned to the resident.

Many residents select the Traditional Plan to keep more money for their investment accounts. This entrance fee option is primarily used by seniors selling a home while entering the community. Because many residents pay the entry fee with the proceeds from the sale of a home, the funds may not be available for a Capital Return Plan right away.

Once the home is sold, as long as it is within six months of moving into the community, a resident may change to a Capital Return Plan to be eligible for the 90% refund.

Example: A resident sells their home and moves into a patio home with an entrance fee. They can choose between a Traditional Entrance Fee of $197,500 or a Capital Return Entrance Fee of $395,000.

After talking with their financial advisor, they chose the Traditional Plan because they do not have any children and don't feel pressured to leave a large inheritance.

After 25 months, the resident moves to assisted living in the same community. As they only lived in the community for half of the 50-month drawdown period, they received a prorated refund of $98,750 of the original $197,500 entrance fee. There is a 1% processing fee.

It's important to note that the decision between a Capital Return Entrance Fee and a Traditional Entrance Fee should be made based on an individual's financial situation, goals, and lifestyle preferences.

Prospective residents should thoroughly review the contract terms of the community to understand how each fee structure works and whether it aligns with their needs and expectations.

Additionally, consulting with financial advisors and legal experts can be beneficial in making an informed decision.

How Entrance Fees are Used

Continuing Care Retirement Communities (CCRCs) use entrance fees to support operations, services, and long-term financial stability. The specific allocation of entrance fee funds can vary from one CCRC to another, but here are common ways in which Immanuel communities typically use these funds:

Resident Housing and Amenities

A significant portion of entrance fee funds are used to build, maintain, and upgrade the residential units within the community, including independent living apartments, townhomes/patio homes, and other housing options. These funds may also go toward the development and upkeep of common areas, recreational areas, dining venues, and other amenities that enhance the quality of life for residents.

Healthcare Services

CCRCs often provide a continuum of care, including assisted living, memory support, and skilled nursing care. Entrance fees may be used to establish and maintain healthcare services, purchase medical equipment, hire staff, and cover the costs associated with providing healthcare services to residents as they age or their care needs change.

Operational Costs

Entrance fees contribute to the day-to-day operating expenses of the community. This includes salaries for staff (e.g., nurses, caregivers, maintenance personnel), utilities, maintenance of common areas, landscaping, security, and administrative costs.

Reserve Funds

A portion of the entrance fees is set aside in reserve funds to ensure the long-term financial stability of the community. These reserves are often used to cover unexpected expenses, capital improvements and to maintain the community during economic downturns or other challenging periods.

Debt Service

If the community has taken on loans or bonds to finance construction or other projects, entrance fees may be used to service the debt, including principal and interest payments.

Refunds and Transfers

For communities with refundable entrance fees, a portion of the funds may be allocated for future refunds to departing residents or transfers to the resident's estate upon their passing.

Marketing and Sales

Some funds are allocated to marketing and sales efforts to attract new residents to the community. This can include advertising, outreach, and the cost of maintaining a sales and marketing team.

Resident Services

CCRCs often offer a wide range of services to enhance residents' well-being, including transportation, social activities, and wellness programs. Entrance fee funds support these services.

Capital Improvements

CCRCs use entrance fee money to fund capital improvement projects, such as renovations, expansions, or technology upgrades, to ensure the community remains attractive and competitive.

For many prospective residents, seeing their money put to work through capital improvements is the primary reason they choose an entrance-fee community, whereas non-entrance-fee communities cannot invest in their amenities and spaces at the same level.

Contingency and Risk Management

A portion of the entrance fees may be set aside to manage financial risks associated with the community, such as economic downturns, unforeseen events, or regulation changes that could affect operations.

Prospective residents must understand how their chosen community allocates entrance fee funds by carefully reviewing the contract and discussing financial matters with the community's management.

This transparency helps residents make informed decisions and ensures they clearly understand how their funds will be utilized within the community.

Frequently Asked Questions

Do I still pay a monthly fee?

Yes. The monthly fee covers items like housekeeping, meals, and wifi. Entrance fees offset expenses like capital improvements, new amenities, and staffing.

Am I buying the townhome/patio home/apartment?

No. Immanuel retains the ownership of the homes. The advantage is that the community is responsible for maintaining the property, not you. Freed from home ownership, you won't ever need to sell a house again or worry about real estate market fluctuations.

When and how is the entrance fee paid?

10% is due at reservation. This holds your apartment and starts the period before moving in for updates to the townhome/patio home/apartment. The final 90% is due upon the closing of the townhome/patio home/apartment. This is when keys are handed over, and the resident takes occupancy.

What about the financial rating of Immanuel?

Immanuel is the top-rated senior living organization in the United States. We are the only organization with AA Fitch out of AAA.

Can I use my long-term care insurance for entrance fees?

No. Entrance fees are often only for independent living, while long-term care insurance covers care for assisted living, memory support, and skilled nursing.

Can I get legal and financial advice?

We strongly encourage prospective residents with questions to seek guidance from legal and financial professionals to review and explain the entrance fee's contract terms and financial implications.

Is the 90% refund guaranteed?

For all residents who move into Immanuel's CCRCs on a type C contract and a Capital Entry Fee plan, a 90% refund is guaranteed. Any resident with a type A or B contract due to an acquisition or legacy agreement will need to review the specific terms and conditions of their resident agreement.

Glossary of Terms

AA FITCH (AAA): A credit rating assigned by the credit rating agency Fitch Ratings, indicating a high level of creditworthiness and a low risk of default.

Assisted Living: A residential option providing assistance with daily activities such as bathing, dressing, and medication management for seniors who may need some support but do not require full-time nursing care.

Capital Entrance Fee: A one-time fee paid by residents upon entering a senior living community, typically used to fund capital projects, community maintenance, and community enhancements.

CCRC (Continuing Care Retirement Community): A senior living community that offers a range of housing and care options, including independent living, assisted living, and skilled nursing care, allowing residents to age in place.

Drawdown Period: A predetermined timeframe during which a resident may access funds from the entrance fee to cover healthcare or living expenses.

Independent Living: A senior living option that provides housing, amenities, and social activities for active seniors who do not require assistance with daily activities.

Legacy Agreement: A contractual arrangement specifying how the entrance fee or assets will be managed and distributed upon the resident's passing.

Memory Support: Specialized care and services designed for individuals with memory-related conditions, such as Alzheimer's or dementia.

Skilled Nursing Care: Comprehensive healthcare and nursing services provided to residents with complex medical needs.

Traditional Entrance Fee: A standard one-time fee paid by residents upon entering the senior living community, typically used to support the community's operations and services.

Immanuel communities

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