Linda Telli, foreground, says of living in adult community at Four Seasons in the Smithville section of Galloway Township, 'Living here is like camp for adults.' Her husband, Ron, says their taxes are down about $1,500 to $2,000 compared to when they lived in Bergen County.

Staff photo by Ben Fogletto

Age-restricted communities popular, but still a bust in N.J.

■ The number of those living in age-restricted communities grew in the U.S. from 2 percent in 2001 to 3 percent in 2007 — but in New Jersey there is a glut of housing.

By ERIK ORTIZ
Staff Writer, 609-272-7253

Linda Telli needed some convincing when her husband, Ron, first suggested uprooting their lives in Bergen County to retire at the Four Seasons at Historic Smithville, an age-restricted community in Galloway Township.

While Ron liked the idea of being around people their age, Linda preferred being closer to New York City and their family. A lower cost of living in Atlantic County, however, became a major selling point. The couple bought property at the Four Seasons nearly four years ago.

"Our taxes are down about $1,500 to $2,000," said Ron, 67.

As for Linda, "Living here is like camp for adults," said the 60-year-old.

The popularity of adult retirement communities with the baby boomer set has grown through much of the decade, although modestly.

While most households in the U.S. made up of members age 55 and older are not located in age-restricted communities, the number of those that are increased from 2 percent in 2001 to 3 percent in 2007, the MetLife Mature Market Institute and the National Association of Home Builders said in a joint report released in April.

According to the report, those living in age-restricted communities had the highest satisfaction rates among those surveyed.

Excess senior housing

But housing market expert Jeffrey Otteau says boomers may not be so quick to flood those communities now — at least not in New Jersey.

For one, retirees here are choosing to move to lower-cost states, leaving a glut of age-restricted housing in the Garden State equivalent to a 16-year supply, said Otteau, president of Otteau Valuation Group, a real estate research and appraisal firm in East Brunswick.

Legislation now is moving through Trenton that would allow developers to petition municipalities to remove age restrictions on already approved projects, instead favoring more affordable housing.

Otteau added that because of the economic meltdown, seniors may decide to save money by simply "aging in place." So instead of retiring to an age-restricted community, they'll retire in their current home.

The building of age-restricted housing, however, still is appealing to many towns: Seniors contribute to the local tax base without increasing school enrollment.

'Prices are still good'

At Pheasant Run, an adult community in Barnegat Township, Ocean County, about a half-dozen of the 379 homes there are for sale, said Frank Pecci, a former member of the Board of Trustees.

"They go pretty darn quick — maybe in a month-and-a-half to two months," said Pecci, who moved with his wife from Clifton, Passaic County, to Pheasant Run about 11 years ago. "They buy a house here because the prices are still good."

He said homes in the community can cost about $148,000 and run in excess of $200,000.

The nearby Four Seasons at Harbor Bay in Little Egg Harbor Township lists homes starting at about $250,000 and up. K. Hovnanian has developed eight Four Seasons communities in New Jersey.

Beazer Homes, which developed the Gatherings at Cape May, lists its homes in the Rio Grande section of Middle Township between $244,000 and $310,000, according to its Web site.

The Four Seasons at Millville is advertising homes starting at $159,000. "If you're not 55, you'll wish you were!" one newspaper ad says.

Selling a lifestyle

Adult communities are not for everyone. A community is typically governed by a homeowners association that enforces rules, ranging from how tidy the lawns must be to the color of the homes to what type of flag can be flown out front.

At the Four Seasons at Historic Smithville, homeowners also pay a monthly maintenance fee of $175, which goes toward trash pickup, landscaping and snow shoveling, said Millie McGovern, president of the board of trustees.

But the communities also are selling a lifestyle, and market themselves to "active adults." On a recent afternoon at the Four Seasons in Smithville, the club house was in full swing as women played bridge in a card room, families splashed around in outdoor and indoor pools and teams challenged each other to games of bocce ball.

'You see people aging and what can happen. That is one sad thing.'

Camille Lally

'There is a plus. You grow old with friends.'

Jean Reilly

Frank and Sue Senatore, both in their 60s, had thought about retiring from their home in Camden County to Florida, where property taxes would have been cheaper, but said they were drawn to New Jersey's shore region, and they still have family in the area.

Mike Coster, a former IT manager for JP Morgan Chase & Co. in New York, said he, too, preferred the milder winters along the coast.

Other retirees said moving to an age-restricted community took some readjusting.

"You see people aging and what can happen," said Camille Lally, who moved to the Four Seasons with her husband, Frank, five years ago. "That is one sad thing."

"There is a plus," added Jean Reilly, who lives at the Four Seasons with her husband, Tom. "You grow old with friends."

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Check 'scam meter' before you invest

By ERIK ORTIZ
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When one of the largest investment frauds in U.S. history was uncovered late last year, the financial devastation that followed left people to question whether their money was truly safe.

After all, Bernie Madoff had managed to con thousands of people out of more than $50 billion through his Ponzi scheme.

Seniors are a favorite target of too-good-to-be-true financial swindlers, says Doug Shadel, director of AARP Washington, which has studied investment fraud.

"They worked a lifetime, and now they have money to spend," Shadel said of the seniors. "A lot of these investment victims who are 55 to 58, they have investment portfolios, and they start realizing that they don't have enough money to retire. They get into that mindset that now they have to take more risk to make back what they've lost."

While there are no hard numbers on how many people fall victim to investor fraud, Shadel estimates it is somewhere between 8 percent to 10 percent of the 95 million Americans who do some type of investing.

An AARP study found that victims for the most part were financially literate but could be easily persuaded, Shadel said.

The most basic advice law enforcement gives — at any age — is to be skeptical. Here's what you can do to protect yourself:

Do your homework

Before hiring a stock broker or investment professional, make sure he or she is reputable. The Financial Industry Regulatory Authority allows you to search its Web site (Finra.org/BrokerCheck) to see whether a securities firm or broker is registered with it, and whether there have been any regulatory complaints filed against them.

The Web site also has a "scam meter" and "risk meter," which allow you to determine whether an investment proposition may be a scam and whether you're at risk for falling for investment fraud. For more info, visit **www.finra.org/Investors/ToolsCalculators**

Ask questions

A financial planner can help you build your portfolio and give sound investment advice.

But to determine whether one is working in your best interest, ask them if they follow a "fiduciary" oath, meaning they put their clients' interests before their own profits and will disclose any conflicts of interest up front. It's not unheard of for a planner to sell an investor on a financial product they don't really need but will earn the planner a larger commission.

Before hiring advisers, ask them questions about their qualifications (are they a certified financial planner or a registered investment adviser?), how much they charge (be wary of an adviser who charges more than 1 percent or 2 percent of your assets) and whether they've been cited by a professional or regulatory agency for disciplinary reasons.

The National Association of Personal Financial Advisors suggests looking for a financial planner who charges on a fee-only basis for their consultation services and is willing to sign a fiduciary oath. Learn more at **www.napfa.org/tips_tools**

Know the signs

As part of Madoff's Ponzi scheme, he sent investors doctored account statements and fake trade confirmations to make them think their money was being well-managed. In turn, they simply wrote checks out to Bernard L. Madoff Securities.

Mark Reimet, a financial planner with Ocean City Financial Group, said even when you're dealing with an independent financial adviser, statements should be coming from a legitimate company that may be supervising the adviser or a third-party custodian that you're making the investment through, like Vanguard or Fidelity.

"We're an independent financial planner here, but we're not a nonlicensed financial planner," Reimet said. "My business card at the bottom mentions who is supervising us (MassMutual Financial Group) and all of our clients' statements are coming from MassMutual. That's critical to know in the Madoff era."

In New Jersey, the state Bureau of Securities registers and regulates investment advisers and firms. Complaints can be filed at **www.njsecurities.gov/compform.htm** or call 973-504-3600.

The bureau's list of the top 13 investment scams is available at **www.njsecurities.gov/13scams.pdf**.

Key to financial security: Diversification

By ERIK ORTIZ
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When planning for their retirement 10 years ago, Joe and Carol Martinsky prepared for the worst-case scenario: What if we run out of money?

It is a concern made even more dire for retirees since the stock market took a dive through 2008 and housing prices plummeted, driving down people's wealth.

But Joe Martinsky, who worked as an engineer for 35 years with Lockheed Martin, said he met with a financial planner in his 50s to map out the right investments.

"I got involved early enough," said Martinsky, now 72 and living at the Four Seasons at Historic Smithville, a retirement community in Galloway Township. "I'm not losing money, although I lost a lot of my gain from last year."

For those in retirement or planning to retire in the next 10 years, having enough income to last the rest of your life might require you to reevaluate your finances and adjust accordingly.

In the case of people who have lost significant money in the stock market, financial planner Mark Reimet says the way to make up for those losses is to keep invested in stocks.

"If you were an aggressive investor two years ago, it's just not going to be made back with a 3 percent CD at this point in time," said Reimet, of Ocean City Financial Group.

He pointed to the Dow Jones Industrial Average making gains into positive territory this year as a sign that the stock market is not a complete dud — although analysts are arguing whether such a rally can re-emerge through the summer.

"I think if a person has ridden the stock market down, selling out at this point only applies to those who simply can't take it anymore and can't sleep at night," Reimet added.

As investors get older, the trend is to rely on more conservative financial products that will not create the volatility that the stock market provides.

George Leupold, of Leupold Financial Planning Associates in Somers Point, said diversification of your assets is key. That means having stock funds in large, medium, small and global companies, as well as holding certificates of deposit, money market funds and bonds.

"It's not unusual to be living into your mid-90s," Leupold said. "If you retire at 65 and you make it to 95, that's 30 years that your investment pool will need to take care of you. And you have to remember you need to keep up with inflation, and that medical costs are huge for most retirees. You're probably lucky if that cost goes up 8 to 10 percent a year."

So where do you keep your money?

Ibbotson Associates, a market research and consulting firm in Chicago, found that having 100 percent of your investment in stocks probably isn't your best bet. While it can provide for the largest positive return on your investment compared to solely investing in bonds or cash and equivalents, it can also give you the largest negative return, according to an Ibbotson analysis of data from 1926 to 2008.

If all your money was invested in stocks last year, you would have seen an average 37 percent negative return.

However, the more diversified an investor was last year, their negative return was smaller. Someone with 60 percent in stocks, 30 percent in bonds and 10 percent in cash and equivalents, such as Treasury bills and securities, would have seen an average 18.10 percent negative return.

And if you held just 10 percent in stocks, 80 percent in bonds and 10 percent in cash and equivalents, you would have seen an average positive return of 6.96 percent.

Ibbotson's analysis also shows that the investments that had the most years of returns greater than inflation were those that were 10 percent to 20 percent in stocks, 70 percent to 80 percent in bonds and 10 percent in cash and equivalents.

Leupold said some of his retired clients are still invested at 8 percent or more in the stock market as a way to create long-term growth. He also suggests taking out no more than 4 percent to 5 percent of your investment per year during your retirement as a way to ensure your dollars last longer.

"Some clients used to take out 12 to 15 percent during the dotcom days," Leupold said. "Those days are gone."

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