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WHAT DO WE KNOW ABOUT RETIREE ATTRACTION STRATEGIES?

ECONOMIC DEVELOPMENT MEETS THE COMING AGE WAVE

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Executive Summary*. What is the coming "age wave," and what is the state of the field of retiree attraction strategies? This paper begins with a brief look at the numbers: the size of the coming retirement boom and what is the financial situation facing the baby boom generation. We next look at recent retiree migration trends. We then turn to a review of how states and localities are responding to these patterns. We conclude by assessing the effectiveness of these programs and by providing some recommendations for how communities can best attract, retain and engage these new retirees.*

It seems like every day we get bombarded with new data about the profound economic effects of the aging baby boom generation. Beginning in 2006, the first baby boomers turned 60 and we can expect the economic, demographic and social effects of their retirement, work, and life decisions will reverberate among all of us. Economic developers can be expected to bear a large part of this burden as they struggle to respond to expected labor shortages and provide amenities for a rapidly aging population.

Yet, the effects of the coming "age wave" are not simply a burden. This looming demographic shift creates lots of new and interesting economic development opportunities. Baby boom retirees will be the wealthiest retiree cohort ever. They have money, and are willing to spend it. Boomers are also more mobile with greater willingness to move to a new area after retirement or purchase a second home.

States and localities across the U.S. have followed these trends, and are aggressively marketing themselves to current and prospective retirees. Rural communities, especially those with desirable scenic amenities, have been especially active. The field has become so established that it even operates its own trade association: the American Association of Retirement Communities (AARC). As the retiree population grows, we can expect retiree attraction strategies to become a more common component of the economic development tool kit.

This essay assesses the state of the field of retiree attraction strategies. It begins with a brief look at the numbers: what is the size of the coming retirement boom and what is the financial situation facing the baby boom generation. We next look at recent retiree migration trends. Why retirees are moving and what kind of communities and amenities are they seeking? We then turn to a review of how states and localities are responding to these patterns? What kinds of programs and initiatives are being deployed to attract the migrating retiree? We conclude by assessing the effectiveness of these programs and by providing some recommendations for how communities can best attract, retain and engage these new retirees.

Demographics—what is the coming "age wave" and why does it matter?

The economic impact of the retiring baby boom generation will have a huge impact on all parts of our economy. The numbers are fairly staggering. By 2015, the U.S. will be home to more than 45 million households with people between the ages of 51 and 70 years old. This compares to about 25 million for the previous generation. By 2015, Boomers will control nearly 60 percent of net wealth (up from 51 percent in 2006) and account for 40 percent of U.S. consumption and income (Court, Farrell, and Forsyth 2007).

As a cohort, the boomers are a major economic force. At the same time, individual retirees will be among the wealthiest in world history. While many retirees will struggle to make ends meet, a surprisingly large portion of boomers have accumulated extensive wealth. The affluent segment of boomer retirees, those with an average net worth over $1.2 million, will include ten million households (Court, Farrell, and Forsyth 2007).

Analysts expect that boomer retirees will act differently than their predecessors. They are more interested in remaining in the workforce, and, faced with looming worker shortages, they are more likely to be in high demand by employers. At the same time, boomers are showing greater interest in considering entrepreneurship in later life. In fact, recent research shows that self-employments are rising with age. For example, one-third of male workers between the ages of 51 and 61 are self-employed (Giandria, Cahill, and Quinn 2008).

Retiree migration trends

In addition to being richer and more engaged in the workforce, boomer retirees, especially those with higher net worth, are also more mobile. Projections show that as many as twenty million Baby Boomers might relocate during their retirement. The reasons for migration fall into three categories. Amenity-seeking retirees move to be near scenic locations or warmer climates. This cohort is the primary target for most retiree attraction programs. Return migrants move back to their home communities, often to live near relatives. Finally, dependency migrants move to be near family members who can take care of them.

The locational choices of migrating retirees used to be fairly limited, with Florida and Arizona among the top destinations. Today, a much more diverse group of locations has entered into the mix. Table 1 lists the top states for migrating retirees.

Florida	37,140
Arizona	24,610
Texas	18,290
Tennessee	10,663
Georgia	9,610

Table 1. Net In-Migration 2000-2005 of 60+ individuals. Census Bureau Data.

Surveys of retirees offer a very clear picture of what motivates and interests affluent retirees. They respond to a variety of push and pull factors (Fagan 2002). The search for a warmer climate is a primary factor, with many retirees moving the Northeast and the Midwest to the Sunbelt. Other important decision factors are the presence of scenic amenities, especially in coastal locations. Many migrating retirees place great emphasis on access to parks and recreation facilities. Proximity to medical care and educational opportunities rank high among retirees, and help explain the popularity of college towns as a retirement destination. Finally, retirees do place emphasis on some financial factors, especially property and income tax rates and overall cost of living.

How are communities responding?

Many communities have been targeting this market for years (Reeder 1998). In fact, many states and regions have programs devoted to the attraction of retirees. Southern states—such as Alabama, Mississippi, and Tennessee—are particularly aggressive on this front. The programs take many forms, ranging from basic tourism promotion to use of tax incentives. Most states do some sort of promotion via their tourism boards, and tout their quality of life, scenic beauty, health care quality, and other amenities. When its comes to taxes, more than half of states with broad-based income taxes offer some sort of exemption for seniors (Murphy 2005). Below, we review some typical retiree attraction strategies.

Tourism promotion

Targeted tourism promotion is the most commonly used tool to attract migratory retirees. This approach makes sense as research shows that migrating retirees generally visit an area as a tourist before considering relocation (Chesnutt, Lee, and Fagan 1993). These programs generally include investing in major marketing campaigns, production of marketing materials, and the provision of technical assistance to local tourism promotion efforts. The Alabama Advantage program (*http://www.Alabamaadvantage.org/*) is one of the more long-running, dating back to the 1980s. It operates a website that serves as a gateway to Alabama communities that are seeking to attract retirees. It also publishes the Alabama Advantage magazine and provides information packets and other resources to prospective new residents.

Community certification

Beyond basic tourism promotion, the most commonly used program type appears to be community certification. Under these programs, a state government agency, normally the Department of Economic Development, provides technical assistance to communities that are then certified as "retiree-ready" community. The Hometown Mississippi Retirement Program (*http://www.visitMississippi.org/retire/*) offers a typical example. At present, Mississippi is home to 21 Certified Retirement Cities that have undergone a state-sponsored screening process, and that are now marketed as retiree destinations through the state's tourism programs. Among other states, Kentucky, Louisiana, and Texas also operate similar certification programs.

Financial incentives

Many states and localities also provide a host of incentives to retirees. In most cases, these benefits, such as property tax abatements, are available to all senior citizens. However, they are aggressively marketed to potential incoming retirees. South Carolina has a particularly strong set of financial incentives for senior citizens. In recent years, the state has undertaken a variety of efforts to reduce the tax burden on retirees. These include elimination of state taxes on social security and other retirement income, reduced property taxes for retirement housing located in state enterprise zones, and a homestead tax exemption for senior citizens who have lived in the state for at least one year. In addition, South Carolina residents aged 60 or older enjoy free tuition at state colleges and universities.

Infrastructure development

A final category of potential support programs involves the development of specialized infrastructure for retirees. At present, no states are operating programs of this sort. However, a recent Georgia Tech study recommends that Georgia consider new initiatives to help ease the construction of retirement facilities across the state (Georgia Tech Enterprise Innovation Institute 2007). In particular, the report recommends that Georgia make ease regulations related to the construction and management of Continuing Care Retirement Communities (CCRCs). CCRCs are residential facilities that combine living space with the provision of extensive health care services. In Georgia, like many states, CCRCs are heavily regulated and have proved quite difficult to build and manage. The Georgia Tech study recommends that Georgia work to increase construction of CCRCs as a tool to attract new retirees and to encourage healthy aging in place for the existing population of senior citizens.

Retiree readings

Aging in Place Initiative: A joint program of the National Association of Area Agencies on Aging and Partners for Livable Communities. It is designed to build communities that are good places to grow old. (*http://aipi.n4a.org/*)

American Association of Retirement Communities (*http://www.the-aarc.org*): A trade association focused on "promoting economic development through retiree attraction."

Experience Corps (*http://www.experiencecorps.org*): Program was started by leadership guru, John Gardner, and seeks to encourage community service by those over the age of 55.

Georgia Retire: To view an impressive and comprehensive program to attract retirees,
check out
http://www.georgiaretire.com.
This website and program were developed by Triple Crown Hometowns, a partnership of three south Georgia counties (Lowndes, Brooks, and Lanier).

Mississippi: To learn more about Mississippi Hometown Retirement, visit *http://www.mississippi.org/retire*

The pros and cons of retiree attraction

While rigorous evaluation studies are fairly limited, early research indicates that these state and local retiree attraction efforts seem to generating positive outcomes. For example, a study of Mississippi's Mississippi Hometown Retirement program found that it generates a statewide annual economic impact of $194 million and 2,320 new jobs (Campbell 2005). Community level studies also indicate extremely positive economic effects from migrating seniors. For example, a recent case study of the impact of new retirees in Cumberland County, Tennessee, found that new migrants helped contribute to new job opportunities, higher income levels and a large fiscal surplus (University of Tennessee Institute of Public Research 2007).

These positive results have been generated prior to the coming age wave. If similar (or better) outcomes are generated by retiring boomers, the economic effects will be profound. At a minimum, we can expect a boom in new retiree attraction programs.

To date, however, retiree attraction advocates have viewed the process as something of an E.D. "free lunch." The message seems to be: attract wealthy retirees, and count the proceeds. Migrating retirees spend money, pay taxes, but don't ask for much in return (especially in terms of spending on new schools and other amenities). As one recent newspaper article put it, there's "gold in silver hair."

This rosy picture may suffer from several shortcomings. At a minimum, it ignores potential negative economic effects, particularly the effect of in-migration on rising housing costs. For example, a study of Tennessee's Cumberland County found that the many benefits of in-migrating retirees also generate some negative impacts such as increased traffic congestion and increased land and housing costs (University of Tennessee Institute of Public Research 2007).

The impact of retirees on housing costs presents something of a mixed picture for communities. It can help generate wealth for resident and businesses that are selling property. On the flip side, it creates cost challenges for younger workers and low-income families. A more worrying set of issues concerns the overall costs of supporting a rapidly aging population of retirees. Most retiree attraction efforts rightly focus on what we might call the "young elderly." This group has access to financial resources, is new to retirement, and is anxious for new experiences. This cohort represents the "holy grail" for economic developers and developers of golf courses, resort communities and the like.

Recent research offers many indications of the positive economic impacts of relocating retirees. USDA researchers found that non-metro retirement destination counties grew much more rapidly and enjoyed higher per capita incomes than comparable rural counties (Reeder 1998). Retirees also help stimulate sectors such as real estate, health care, financial services, restaurants and entertainment.

While the initial impact of retiree migration appears quite positive, the long-term impacts are not well understood. The "young elderly" don't stay young forever. As they gradually become the "old elderly," their health may decline along with their positive economic impact on the community. At this point, many retirees may depart a community to live closer to relatives. Or, they may remain in place but generate increased demand on local services. In effect, the economic "free lunch" generated by migrating retirees may only provide a short-term economic stimulus while they remain in good health.

Unfortunately, there are few rigorous analyses of the long-term economic consequences of retiree concentrations. One recent study noted "the paucity of knowledge regarding the longer term effects of such (retiree) population movement" (Serow 2003, 897-1003). However, some recent studies indicate that community costs for emergency medical care run slightly higher than average. However, these higher costs may be are offset by lower demand for other services such local schools (Georgia Tech Enterprise Innovation Institute 2007).

Retiree migration for the long haul

Communities considering retiree attraction policies need to be fully informed about the potential long-term consequences of these initiatives. Intentionally aging a community involves a major shift in how many regions view economic development.

This demographic evolution is natural. Our challenge is not to stop it, but to prepare for it in advance. Communities must take a long-term look at future infrastructure and amenity needs, as well as the economic implications of an aging population. Success requires careful planning and anticipation of the costs generated by a population that will "age in place." Investments in new medical facilities and other specialized amenities, such as transportation services, may be required.

Preparing for this potential economic downside makes sense. It makes even better sense for regions to think more deeply about how to get "the most bang for the buck" from migrating retirees. Too many communities attract retirees who remain isolated in a newcomer's enclave, and often fail to become fully integrated in the community's civic and economic life.

By failing to engage these newcomers in local economic activities, we do not fully capture the real benefits that could be generated by migrating retirees. The real strength that these retirees bring comes from their knowledge, career experiences, connections, and networks. Yet, economic developers often fail to tap into this important resource. We must stop simply viewing as migrating retirees as a cash machine that spends money and pays taxes. We must instead find a way to integrate new residents into the center of a community's economic life.

How can this happen? Such integration could take many forms. Groups like the Service Corps of Retired Executives (SCORE) have long sought to tap retirees as mentors for new businesses. Local mentoring networks could be expanded as one means to encourage retirees to nurture local firms. In addition, retirees could be organized into mini-angel networks. By pooling resources, a new local source of start-up capital could be generated. Finally, retirees may opt to start their own businesses. This growing boomer entrepreneur market can help strengthen local economies in retirement havens.

While few communities are now focused on this challenge of integrating retirees into local civic life, some places are trying to get ahead of the game. For example, Wyoming's Governor Dave Freudenthal has recently led an initiative that examines not only how Wyoming can attract retirees, but also on how the state can assist those who want to start their own companies (http://Wyoming.gov/governor/policies/documents/aheadofthecurveFINAL 000.pdf). At the national level, groups like the Experience Corps are developing best practices for engaging Americans over 55 in community service. These are all nascent programs that should offer some useful lessons in the future.

As our population ages, the real community challenge is not to simply to attract retirees. Instead, it is to find the tools that create a win-win situation where both sides are enriched. Retirees enjoy a fulfilling period of life, with access to desired services and amenities. Meanwhile, communities are enriched by the investment, knowledge and connections that retirees bring to the community.

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