

## Senior Memberships

### **The Problem:**

Senior memberships are considered for several reasons:

- a. To be “good” to long term members of the club and to provide them dues relief in their old age.
- b. To remove older, more conservative members from the decision making process by allowing them an attractive financial package which, since it is a non-equity situation, denies them both the vote and the right to sit on the Board of Directors.
- c. To free up equity memberships for resale to new members. This is usually done when the number of equity memberships available for sale is low and the price of those available is rising rapidly.
- d. To resell equity memberships to families who are younger and more active.
- e. To increase the size of the user and dues paying membership base, thereby improving the club’s financial operation.

The problems with developing a senior membership category are as follows:

- a. Who should qualify for the senior memberships?
- b. How are people who qualify prioritized for sale?
- c. How will the release of equity impact others who are selling?
- d. What is the right timing for the introduction of senior memberships?
- e. If the senior member dies does the surviving spouse inherit the rights to use the senior membership?
- f. What should the dues be for seniors?
- g. Do seniors actually use the club more than younger families and might the increase in the membership base cause facility complications?
- h. Might other members suggest that seniors have more, rather than less, disposable income than younger families and that special arrangements are inappropriate for such a group?
- i. Can seniors sell their membership at any price they ask, or should they be required to sell them at a price dictated by the Board?

### **The Issues:**

1. The Club has a large senior membership community. To avoid releasing too much equity too quickly into the marketplace, the Board would need to restrict those who qualify. Doing so might require that the senior have been an equity member of the club for fifty years and be 80 years of age. If this group is sold off without complication, the club could loosen the requirements.
2. Many people feel that an association with the club for the given period of time is sufficient to qualify them. Saying no to this group might cause resentment.
3. Some seniors might resent the length of time it takes to sell the membership particularly given the fact that they’re quite old to begin with. Again, this is a public relations issue that needs to be dealt with before adopting any policy.
4. Clubs who have senior memberships often regret having created them. When the market turns, the qualifying seniors drag the selling price of memberships down even further than the market would already cause.
5. Seniors would have to sell their equity to qualify. Some are emotionally attached to ownership and might reject this.
6. Removing equity from seniors has rarely moderated their comments. Other clubs have shown that the seniors may be “disposed” but are certainly not silent partners in the operation of the club.

7. The club could certainly handle a larger user / dues paying base without significantly impacting the quality of life within the club.
8. The argument rarely washes that seniors by definition have less disposable income than younger members. However, they have a perception that they have less disposable income and are therefore entitled to special consideration.
9. We are not--- to my knowledge--- losing seniors because they can't pay the dues or because they can't afford to make goods and service purchases. However, advocates of the senior membership will often make this statement because of the emotional power that it offers their argument.
10. Seniors use the club more heavily than younger members until they become infirm. What is the appropriate dues structure given this pattern? Since they have no equity, most clubs feel that the purchases they make, combined with dues equal to 50% of regular dues, are appropriate.
11. Younger families who purchase the released senior equity tend to spend more per family, though not more per individual, than the senior family.
12. A Bylaw change would be required to permit the issuance of senior memberships.
13. A cap might be considered on the number of senior memberships allowed at any given time.
14. Would non-residents, or those who have recently sold their memberships, be grandfathered and allowed to become seniors?
15. Seniors use the dining room more frequently than younger members. Would seniors actually use it even more given the dollars saved and the "cash-out" received?
16. Would seniors be more inclined to spend their discretionary dollars at the club since they would in theory have more of them to spend?
17. There is no question that the equity price will be lowered if the senior membership category is introduced. Note the impact of the non-resident category. A lower equity price is in the best interests of the membership though less satisfying during "cocktail conversations." This psychological effect is powerful amongst the close knit west end neighborhoods.
18. The mortality rate accelerates after eighty. Issuing senior memberships to these people would provide them, on average, about five years of use.
19. The seventy-five to eighty year old category is quite large at the club. If they live longer than they currently average, a potential "bulge" exists in the senior group. If circumstances change--- that is, the market contracts--- it will be difficult to change the terms and conditions of the senior membership, thereby increasing the number of seniors and further diluting the price of equity.
20. Only half of the non-resident members actually sold their equity and went non-resident. Might the same number exist with the senior category?
21. If a surviving spouse is younger than the senior who dies, should the dues be increased for the surviving spouse until they reach the qualifying age for seniors? What if they never achieve the qualifying years of membership to satisfy both conditions for senior membership?
22. It is assumed that seniors would be allowed the same parking / locker / bin privileges as other members.
23. Some have suggested that seniors be asked to purchase their senior memberships for a nominal fee, say \$500. Given that the club receives a \$5,000 admissions fee from the new member purchasing the senior's equity, there's little need to do this from a financial point of view. However, from a psychological point of view, the seniors might value the membership more if they're asked to invest something in its purchase.
24. If the restrictions on becoming a senior are too narrow, there is the possibility that the other seniors will resent rather than thank the Board for the gesture.
25. Some have suggested that dues be "frozen" at whatever level they were for the senior when their equity was sold.
26. The Board would need to establish the rights of the spouse if a senior couple divorces.
27. Would seniors be able to extend guest privileges?
28. Could seniors sponsor functions?
29. Would seniors need to be "approved" for senior membership?
30. Should both spouses be required to be of the qualifying age?
31. Senior memberships would be a win for the club financially since both the dues paying and the user bases would be enlarged.

32. A multiplier effect occurs when seniors bring down their adult children, their grandchildren and their friends. Would they be more inclined to do so if the dues were lowered and they were allowed to cash out their equity?
33. No club allows seniors to keep their equity and pay half dues. The responsibilities of any equity position argue against such an arrangement.
34. Senior membership would not be automatic. The senior would have to make the conscious decision to sell the membership and thereafter apply for senior membership. Doing otherwise would require the unauthorized sale of equity within the corporation and would probably cause problems from both a legal and a public relations point of view. Again, not everyone who qualifies would choose the senior option.
35. It has been argued that seniors fill a certain "void" in the usage of the club's facility and its goods and services. Younger families use the beach and sports facilities more, while the seniors use the porch and dining room with greater frequency.

**Conclusion:**

Senior memberships, if properly configured, can be of benefit to the Beach Club. However, the decision is difficult and painful to reverse and all ramifications, in all economic and market scenarios, need to be considered before acting.