

Reserve Studies for Residential & Resort Associations

“Control the future of your association.”

Reserve Study

n. pl. re-serve stud-ies

1. The art and science of anticipating and preparing for major common area repair and replacement costs.

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What do I get from a Reserve Study?

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Starting with the fundamentals, every Reserve Study has two parts: information on the physical condition of the property, and the financial analysis performed using that information. Most Reserve Studies differ in how thorough the physical information was compiled (a site inspection where the information was created "from scratch", a site inspection updating information from a prior analysis, or an update without a site visit). The result of the Physical Analysis is the Reserve Component List, providing you with an estimate of the size and timing of the association's major predictable common area expenditures.

In addition, a fundamental portion of all Reserve Studies is the Financial Analysis, which provides you with two pieces of key information.

First, the Financial Analysis provides you with the computation of the current Reserve Fund Status (as measured by cash and Percent Funded). While we always want to know the actual cash balance of the Reserve Fund, its relative size and strength is measured by the Percent Funded number. This is because \$100,000 might be a big number to one association (or to you or me individually!), but woefully inadequate for an association facing a \$500,000 roof project next year. Reserve Fund Status provides a measure of current condition, like a snapshot in time.

Second, the Financial Analysis provides you with a recommended Funding Plan, typically taking the form of a recommended monthly Reserve contribution. This "action plan" is developed to take the Reserve Fund from its current condition to the funding objective. The Funding Plan is influenced by the Funding Objective and the current Reserve Fund Status. A conservative objective, which means a high Percent Funded target, typically means higher Reserve contributions. And any Funding Plan that begins at a weak starting point should be expected to have higher Reserve contributions than if the association begins with a strong starting point.

Simply summarized, in your Reserve Study expect to find out "where you are" and "where to go from here"!

[Answers to more Reserve Study Questions](#)