RETIREMENT VILLAGE LIFE

Key points for your consideration

The following guide has been created to help you prepare for village life. It covers 4 key stages, from considering village life to exiting, as well as a glossary of terms and useful resources if you are interested in finding out more.

KEY CONSIDERATIONS

- Minimum age of entry
- The DMF calculation
- Weekly fees
- Shared capital gains or not
- One or two DMF's
- Weekly entertainment
- Care onsite - none, partial or full continuum of care
- LTO prices ranging from $200,000 to $4 million

WHY DO PEOPLE MOVE TO RETIREMENT VILLAGES?

The main reasons why people look at retirement village life usually falls under one or two of the following:

- Downsize/release equity in own home
- The concept of a 'stress-free, maintenance-free, hassle-free life'
- The opportunity of continuum of care if needed
- Not to be a burden on your children
- One (or both of you) have already had a change in health
- Friends have moved into one and they say they wish they'd done it sooner
- Community

IMPORTANT CONSIDERATIONS

1. Pre-Entry.
2. Money In - What you are paying for when you move in...
3. Money During - What you're spending while you're there...
4. Money Out - What you get back and when..

1. PRE-ENTRY

Questions you should ask yourself before you make a decision on whether to enter a retirement village:

- What's prompted you to look at Retirement Village living?
- What are the main things you want in a village?
- How many have you looked at, run by different operators?
- Are you expecting this to be your final move?
- Consideration given to the housing market and capital gains?
- How close do you want to be to family and friends?
- How much are you budgeting on per month?
- Current health? Cost and options for care?
- Are there other things you also want to do? Travel? Invest? Gift?

2. MONEY IN - WHAT ARE YOU PAYING FOR AND RECEIVING? WHAT'S COVERED?

Summary of Key Terms – Ask for this upfront (there is a templated 2-page document required by all RVA accredited villages).

Registered vs non registered. Registered retirement villages are covered under the Retirement Villages Act and non-registered normally offer unit titles.

Is it Statutory Supervisor exempt and what are the implications? Most villages have a Statutory Supervisor (the Financial Markets Authority). This involves fiduciary oversight / responsibility.

Buying off the plans? What to look out for?

- The best price and lowest weekly/monthly fee
- Established operator or new? Multi-village or single owner/operator?
- Opportunity to negotiate on price or terms - especially if there are several new units available
- Reduced upfront cash amount
- Delay on paying entry fee
- Cover relocation costs
- Community facility normally built later

Can my Trust do the deal? How does the finance come from a family trust? No, the deal needs to be done between a person and the village company.

Capital loss and capital gain? Most retirement villages do not share capital gain or pass on a loss.

Costs of any associated / onsite care? Call bells, Premium Room Fees or Care suites?

Maintenance and replacement of chattels. Who is liable? Check who pays for this and is it really free?

Transfer fees and/or paying upfront if wanting to move to another unit? Check if moving from one dwelling to another in the village or a sister village incurs a cost. Movement from town houses to serviced apartments or from independent living to care suites. Check the details on the agreement.

Double DMF's? Are you paying for the second unit before the first one is sold?

Premium Room Fees? Care suites? Financial implications. What "Priority" access means?

3. MONEY DURING – WHAT ARE YOU SPENDING WHEN YOU ARE THERE?

- Fixed fees vs variable fees?
- Annual running costs of your own house vs the monthly service fees over a year in a retirement village
- Fixed fees has certainty. CPI linked is ok. Variable fees is usually not good
- Chattels and maintenance [covered in 2]
- Activities
- Staff or resident-led?
- Happy hours?
- Outings?

4. MONEY OUT – THE AMOUNT BACK TO YOU WHEN YOU LEAVE.

Fishhooks. What to look out for and remember to check the agreement in detail.

- When do I get my money back?
- If I want to get out early what is the effect of the DMF over time?
- DMF's that continue to accrue
- Will I have enough money left if I want to get out?
- Can I get a mortgage or loan if I need to? Finance options?
- Effect on the estate and beneficiaries to the estate?
- Refurbishment and or returning the unit back to original?

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GLOSSARY OF TERMS

DMF - Deferred Management Fee: This is a cost paid after a resident leaves or terminates their unit in a village. Generally ranging between 20%-30% of the original ORA purchase price, this sum is used towards shared facilities or other village needs. The percentage is outlined in the ORA and varies depending on the type of retirement living you are situated in. The sum is accumulated during the first few years of residence and the balance returned once the unit has been resold. A village may also take costs of repair or outstanding fees owed to the village when the resident leaves and there is normally no capital gain.

KTS - Key Terms Summary: As of April 2020, all registered retirement villages that are members of the RVA are required to provide this two page statement as part of their sales process, and covers the key terms of your ORA. It is recommended that you ask for a copy as part of your decision making process.

LTO - Licence to Occupy: While this licence gives you legal access to live in the unit or home you will move into, it doesn't give you ownership of this space. This "right" is established by the terms of the ORA. Under an LTO, you have permission to access and use the village's facilities or services as well as your independent space.

ORA - Occupation Right Agreement: This refers to the contract you sign with a village operator before you move in. Outlined in the contract are the specific details of the LTO you purchase. This could also be a unit title, cross lease, rental right or lease for life. Essentially the ORA covers details of your terms in the retirement home by determining the cost (ie. ongoing costs, how much will be paid on termination of the contract), basic rights (ie. village manager's duties, policies outlined in the Retirement Villages Act) and any other policies of legal importance (ie. how complaints are processed.)

RC - Retirement Commissioner: This is an organisation focused on helping retirees with the financial and legal obligations of entering into a retirement village. They focus on three areas: Retirement Policies, Retirement Villages and Financial Capability. A large part of this is updating the Government on policies and procedures that will better the retirement process for residents.

RORV - Registrar of Retirement Villages: The Registrar of Retirement Villages main function is to maintain the Retirement Villages Register.

RVA - Retirement Villages Association: A national membership body representing most operators of retirement villages.

RVR - Retirement Village Residents Association of NZ: A national membership body representing residents living in retirement villages

CHECKLISTS AND ADDITIONAL RESOURCES

- Aged Advisor NZ - website and magazine. www.agedadvisor.nz, 0800 243 323, nigel@agedadvisor.co.nz
- The RVR - Residents Association. www.rvr.org.nz
- The Retirement Commission (previously called the CFFC)
- Aged Concern, Grey Power, SeniorLine
- Citizens Advice Bureau
- Consumer NZ

Financial Advice NEW ZEALAND

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