

Moving into a retirement village?



There are many reasons why people move into a retirement village, such as combining the benefits of being in a private and secure environment with a home that is easily maintained. Retirement villages can offer social activities, amenities and the freedom to choose a lifestyle that meets your needs.

The decision to move into a retirement village is a lifestyle choice. You are more likely to make the right choice if you are well informed and seek expert advice from the beginning.

What is a retirement village?

A retirement village is a residential complex predominantly or exclusively occupied by residents who are aged over 55 years, or who have retired from full-time employment, where residents have entered into a contract with the operator of the village, either to occupy the premises and/or to receive services.

There are hundreds of retirement villages in NSW of different sizes and styles providing a range of services and facilities. Some are run by private operators on a commercial basis while others are run by community organisations such as churches and charities.



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General inquiry document

If you or somebody acting on your behalf contact a village about becoming a resident, the operator is required to give you a general inquiry document.

This document includes general information to help you search for the right village. It describes the type of village, the costs and the village facilities. You should get general inquiry documents from a number of villages in the area you are thinking of living in.

This will help you compare the various arrangements on offer and to identify the most suitable and affordable village for your needs.

Disclosure statement

You can ask for a full disclosure statement for any unit you are interested in. Operators must give you one at least 14 days before signing a contract.

This statement is more detailed than the general inquiry document. It includes the financial arrangements for the village and unit plus the costs to enter, live in and leave the village. Carefully consider these costs as well as getting independent financial advice.

Visit the village, inspect the premises and talk to residents to find out about life in the village. You can ask to see sample contracts and any village rules or the strata by-laws in village strata schemes. Inspecting site plans and budgets may also be useful.

Some villages have aged care services onsite, such as nursing homes or hostels. The eligibility to transfer into such facilities is based on an assessment under Commonwealth law. There is no automatic right to transfer simply because you are a resident of that village.

Different types of contracts

You need to consider the type of village arrangement that suits you best. The most common types of retirement village contracts offered are:

- **leasehold arrangements** – where the village operator owns the premises and you lease the unit from the operator. If you sign a long term lease, it is registered on the title deed.
- **loan and licence arrangements** – where you pay an ingoing contribution up front in return for the right to occupy the premises.
- **strata or community title schemes** – where you purchase the unit and become the owner and a member of the owners corporation.
- **rental arrangements** – a small number of villages offer premises for rent to retired people. You sign a tenancy agreement and pay rent like other tenants in the general community. The agreement may contain a term excluding you from the retirement village laws. You are covered by the tenancy laws instead.

Making the right choice

Buying into a village is a major legal and financial commitment. You are more likely to make the right decision if you take time to carefully read all the information, think about your decision and seek expert advice from a solicitor with expertise in retirement village legislation before signing any contracts. There are several important things you need to consider.



Read the contract before you sign it

After you have carefully considered the disclosure statement and made the decision to move into a retirement village, you will need to sign a contract with the village operator. You must be given at least 14 days to review the contract before signing. Make sure you fully understand all the terms and conditions and read the fine print before you sign. The retirement village laws specify a standard form of village contract that operators can use. If you are unsure about the contents ask the village operator to explain it to you in detail and obtain independent advice from your solicitor and financial adviser.

Fees and charges

There are a range of fees and charges that you may have to pay to enter, live in and exit a retirement village. The fees will be set out in your village contract. Some fees and charges you may have to pay include:

- waiting list fee
- holding deposit
- ingoing contribution/purchase price
- contract preparation fee (maximum \$200)
- recurrent charges
- termination fees and charges, such as departure fees, a share of any capital gains and other charges when you leave the village. In some circumstances, this can mean you may get back less than what you originally paid to enter the village.



Recurrent charges

You will have to pay regular recurrent charges to meet the expenses of operating the village. The amount varies from village to village. You will normally have to pay more in serviced premises than in self-contained premises where meals, cleaning and laundry are not provided.

At some villages you may pay higher recurrent charges if you are living with your spouse or living in larger premises. If you are in a strata or community scheme, you will also have to pay levies to the owners corporation or community association, in addition to recurrent charges.

Your contract may provide for recurrent charges to be increased each year based on a fixed formula. If not, the operator can seek to increase recurrent charges once a year by giving written notice of the amount. For increases above the CPI, operators must get the residents' consent. You should read the contract carefully to make sure you understand how the charges may be increased and assess if you can afford to remain in the village should your day-to-day costs rise.

What if you change your mind?

Cooling-off period

If you change your mind, you have a cooling-off period of 7 business days after you enter into the contract. As long as you have not moved into the premises, you can rescind the contract during this period and receive a refund of any money you have already paid under the contract.

Settling-in period

There is also a 90 day settling-in period that allows you to terminate your contract within the first 90 days of becoming entitled to occupy the premises. You are entitled to a refund of your ingoing contribution or proceeds from the sale of the premises plus any recurrent charges paid under the contract.

The timing for payment of your refund depends upon the type of village contract you signed. If you do not have a registered interest in the premises, for example if you occupied the premises under a loan or licence arrangement, you will be entitled to a refund of your ingoing contribution within 14 days after terminating the village contract.

If you purchased a registered interest in the premises such as buying into a strata scheme or entering into a long term registered lease, you are entitled to your refund once the unit is re-sold or re-occupied by another resident.

Departure fees are not payable. You only have to pay fair market rent for the time you were there and a reasonable administration fee, plus costs of any repairs if you damage the property beyond fair wear and tear.

Prospective resident's checklist

There are many things to consider before making the decision to move into a retirement village. Do not rush, take the time to discuss your decision with family, friends and advisers. Inspect a number of villages in the area you wish to live in. Ask a lot of questions. Make sure you fully understand the contract and seek professional legal and financial advice before you sign anything.

A few questions to ask yourself:

- ☐ Have I fully discussed my decision to move with my family, friends or advisers?
- ☐ Have I thought about whether community living in a village is right for me?
- ☐ Have I looked at a sufficient number of villages to be able to compare the services, facilities and financial arrangements?
- ☐ Have I received a general inquiry document and disclosure statement?
- ☐ How much will it cost me to move and live in a retirement village?
- ☐ Can I afford to live there comfortably, even when the recurrent charges rise?
- ☐ Is it more appropriate that I live in self-contained or serviced premises?
- ☐ What type of arrangement does the village offer? Is it a loan/licence, leasehold, strata, rental or company title?
- ☐ Do I fully understand the contract and all the costs involved?
- ☐ What if I decide to leave the village? Will I be able to re-sell the unit? What are the termination fees and charges?
- ☐ How many vacant units are there in the village?

- ☐ What is the average time for the re-sale or re-letting of the type of unit I am interested in?
- ☐ Are the services and facilities at the village what I need? Will this still be the case as I get older or if I get sick?
- ☐ Is there adequate parking for visitors?
- ☐ Will I be eligible for rent assistance from the Commonwealth government?
- ☐ Are there local facilities such as doctors, shops, hospitals, libraries, churches, clubs and public transport near the village?
- ☐ Are there village rules that may affect my lifestyle? Are pets allowed?
- ☐ Will I be able to make changes to the inside of the premises, or to have someone visit or live with me?
- ☐ Am I able to do my own gardening?
- ☐ Is the village well maintained?
- ☐ Is the village reasonably secure?
Is there adequate external lighting?
- ☐ Is there an emergency call system and/or staff on call?
- ☐ Are the paths designed for easy access?
- ☐ Will my premises still be suitable if my needs and abilities change in the future? For example, are there any stairs I will need to manage?
- ☐ Have internal modifications related to frailty, such as bath rails, been made to the premises?
- ☐ Is there a residents committee to liaise between residents and the operator?
- ☐ Have I obtained adequate legal and financial advice?

More information

Further information on becoming a resident or retirement village living generally is available on the Fair Trading website or by calling 13 32 20. NSW Fair Trading administers the laws which set out the rights and obligations of prospective residents, residents of retirement villages and village operators.



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