



THINKING OF LIVING IN A
RETIREMENT VILLAGE?



Commission for
Financial Capability



www.cffc.org.nz



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 www.cffc.org.nz

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Introduction

This booklet contains important information for intending residents, their families and existing residents of retirement villages. Buying into a retirement village is different from buying a house. It can be complex, and villages vary in their accommodation, support, management, legal and financial structures.

This booklet is not a substitute for professional advice. It includes practical tips to help you:

- consider your personal circumstances and motivations for choosing retirement village living over other options
- understand some important legal concepts and terms used in retirement village contracts
- be aware of some financial implications of living in a retirement village.

Retirement Villages Act 2003

The Retirement Villages Act 2003 sets out rights and obligations for people who live in or are considering entering a retirement village. The Act also places responsibilities on, and a framework to control, all registered retirement village operators.

There are other participants in the framework such as statutory supervisors, a Registrar for Retirement Villages and the Retirement Commissioner. The majority of registered retirement villages are members of the Retirement Villages Association.



See an overview of the key participants in the retirement villages industry and what their roles and functions are:
www.cffc.org.nz/retirement/retirement-villages-at-a-glance

Choosing the lifestyle you want

Most intending residents consider releasing equity from their home or other savings to help fund a village unit purchase and supplement their superannuation. Before you choose a unit think about what you need to live a good life.

There may be many reasons why you are thinking of moving into a retirement village, including:

- greater security
- more companionship
- no more house maintenance
- access to support and healthcare in case you need it later on.

Most people choose a retirement village close to their original home. If you're thinking of moving further away to be closer to family, get them involved in finding out what local amenities are available within the wider community, as well as those available within the village.

If after your visit to a retirement village you think you could live there, ask the operator or manager for a copy of the disclosure statement relating to the village and specifically the unit you are interested in.



Choosing the lifestyle you want (continued)

Pinpoint some things you really want in the village such as:

- ☐ I want some garden I can work in – even if it’s only tiny!
- ☐ I need my privacy but I like social activities I can join – when it suits me.
- ☐ My grandchildren have to be able to come and stay.
- ☐ Near the bus stop, so I can get to the shops.
- ☐ I want to maintain involvement in my community activities, such as my place of worship, my book group.
- ☐ The piano has to fit.
- ☐ The dog has to come too!
- ☐ An ensuite bathroom – and room for the computer.

! Read the disclosure statement carefully. Note down any questions and, when you next visit the village, ask the manager or salesperson for answers. The disclosure statement contains important information about ownership, rights, responsibilities and financial obligations.

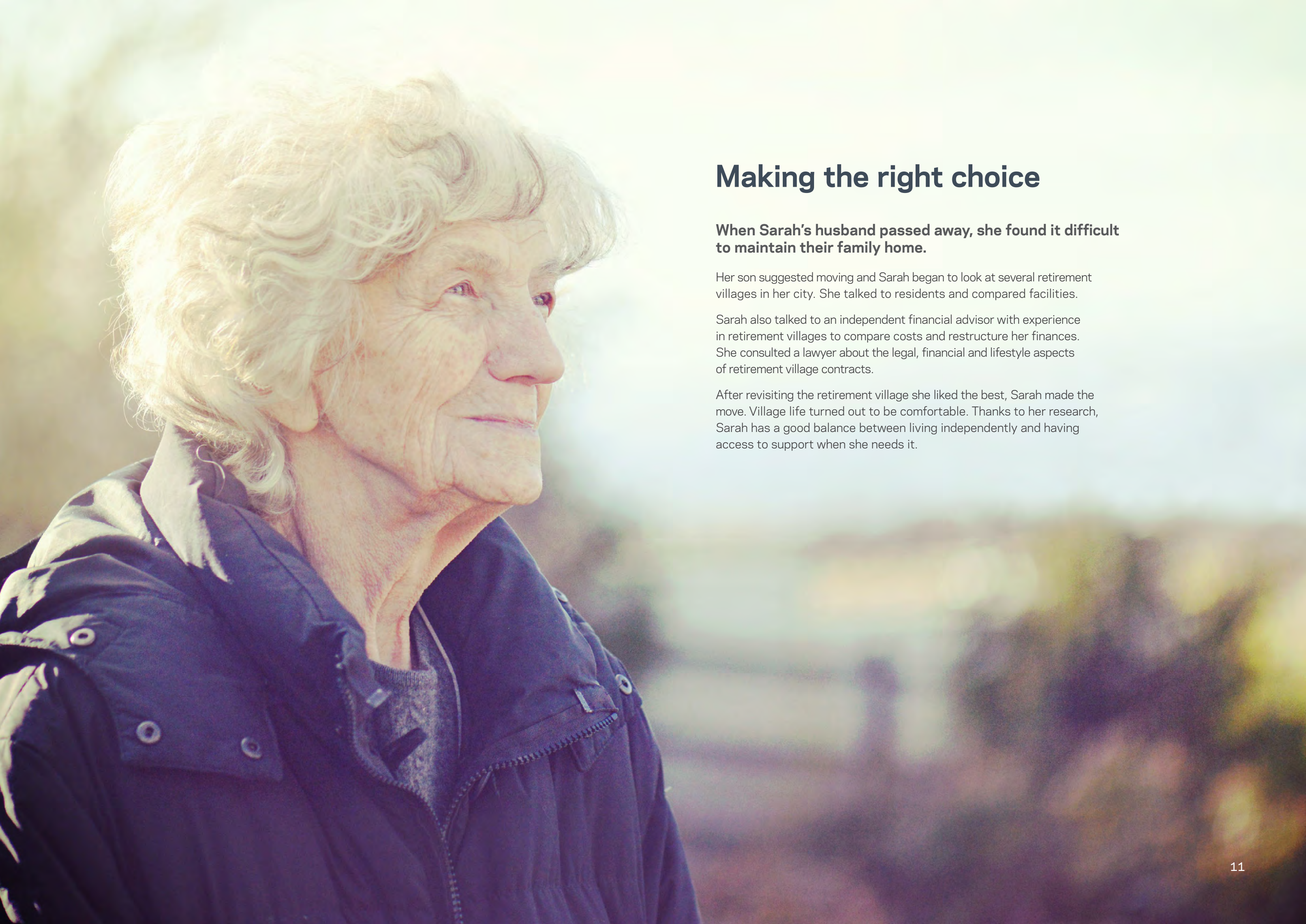
! Discuss your plans with friends and family, but remember it is your decision whether to move into a retirement village or not. Take your time – especially if you're recently bereaved.

Some other things to consider when visiting villages:

- ☐ Many villages have a communal living environment, sometimes with higher density buildings, common areas and shared facilities. Think about what privacy or quiet enjoyment you want outside of your own unit.
- ☐ Look at the design of the village, the facilities and services available, and the ability to move within the village. Things that don’t seem important now might become significant as you get older or if you become less mobile.
- ☐ Ask if there are future development plans in the village that might impact upon your preferred unit location, village design or quiet enjoyment.
- ☐ What types of shared facilities and services would you like and does the village offer them?
- ☐ Ask about the sort of care facilities available and the costs of care. For information about pathways to care for retirement village residents visit www.cffc.org.nz/retirement/retirement-villages/resourceslinks/care-and-assistance/

You may decide you’d rather:

- ☐ Remain in your home by modifying it with ramps and rails, and getting home help.
- ☐ Downsize to a smaller home closer to facilities – apartments and townhouses often provide security, companionship and maintenance.
- ☐ Move to a cheaper area, free up funds for garden and home maintenance, as well as care.
- ☐ Take out a ‘reverse mortgage’ to free up the capital in your home to cover the costs of home help; For information on equity release, visit www.sorted.org.nz/guides/retirement-money
- ☐ Take in a boarder or move in with family or friends – that way you have some home help, as well as companionship and security.
- ☐ Sell the house to free up funds for lifestyle and rent.



Making the right choice

When Sarah's husband passed away, she found it difficult to maintain their family home.

Her son suggested moving and Sarah began to look at several retirement villages in her city. She talked to residents and compared facilities.

Sarah also talked to an independent financial advisor with experience in retirement villages to compare costs and restructure her finances. She consulted a lawyer about the legal, financial and lifestyle aspects of retirement village contracts.

After revisiting the retirement village she liked the best, Sarah made the move. Village life turned out to be comfortable. Thanks to her research, Sarah has a good balance between living independently and having access to support when she needs it.

Understanding the ways you might own or occupy a unit

Please note – when the terms buy and sell are used in this publication, we are referring to the buying and selling of an occupation right agreement.

Most occupation right agreements grant occupancy of the unit only, with no legal ownership in the land or unit itself. Your move into a retirement village may be your last residential transaction. Some villages allow you to transfer from independent units to units offering care options

The main types of occupation right agreements are:

Licence to occupy

This is the most common type of occupation right agreement. It gives you a contractual right to live in the unit and use the amenities without ownership rights, and you can't usually borrow against the value of your unit. The operator grants a licence to you and will re-license that unit to a new resident if you wish to transfer to another unit or terminate your licence.

Unit title

In a village with a unit title structure you own your own unit title. In some villages you will become a member of a body corporate responsible for the upkeep and maintenance of communal areas.

The body corporate may have a management agreement with the village manager to administer and look after the affairs of the body corporate or the residents may run the body corporate themselves. It is becoming less common for operators to offer unit title structures to residents.

Cross lease

If you have a cross lease, you share ownership of the land and leasehold ownership of the units on the land. As a land-owner, you and other land-owners are lessors and grant exclusive leases to one another to live in the units on the land as lessees. The leases include agreement about the length of the lease, the use of the land and units, and the residents' rights to live there.

Lease for life

You have a lease for a unit or property in the village which remains in place until you die or leave the village.

Rental units

Some villages offer units to rent. Those rental units are similar to residential tenancies. The Retirement Villages Act applies to tenants occupying premises under an occupation right agreement.

Memorial and further security interests

All residential units in registered retirement villages have a 'memorial on the land title'. The memorial gives residents security ahead of any creditor that has loaned your operator money against the village property.

This means that if your operator can't repay the loan the lender can't evict you and sell the unit to recover their money.

A statutory supervisor often takes a registered security over the village land holdings to further protect the financial interests of residents from creditors.

Your lawyer should explain your ownership or occupancy rights and your ability to transfer from one unit to another if your circumstances change.





Knowing the costs

There are costs when you enter and leave a village or transfer within it, as well as ongoing expenses while you live there.

You need to know what the various costs cover and how much they will be, especially if you rely on superannuation. Few villages share any capital gain on the value of a unit when you leave. This may reduce your options for alternative places to live if you want to leave the village later.


Costs when you enter

As a new resident you'll pay a capital sum to purchase an occupation right agreement for your unit. The occupational right agreement gives you the right to live in your unit and enjoy the village amenities under any of the legal structures on the earlier pages.

Between 20 - 30 percent of that capital sum becomes the operator's over the first five years or so of your occupancy. It is used to cover the costs of communal facilities, management or long-term maintenance. This 20 - 30% rate is often called a 'fixed deduction' and is deducted at the end of your occupation right agreement.

The fixed deduction usually accrues over the first 2 - 5 years of your occupancy, so if you leave the village within that time you will not necessarily lose the whole 20-30%.

Operators sometimes use other terms in their occupation right agreements instead of 'fixed deduction' such as: 'deferred management fee', 'capital sum deduction', 'depreciation', 'village contribution', 'donations', 'amenity' or 'facility fees'.

 The village operator must give you a disclosure statement listing the everyday costs and when they are charged or deducted. The statement must give an estimate of the financial return you might expect to get on the sale or other disposal of your unit in 2, 5 or 10 years.

Knowing the costs (continued)

Costs while you're living in the village

While you're living in the village you'll pay weekly fees. These cover village costs such as rates, insurance and other operating costs as well as services such as security, gardening and maintenance.

Some villages include a greater range of services in their fees or offer various personal care packages. Others leave it to you to choose and pay for the services you want or need. You may also want to find out whether the village adds a premium for these services, whether it just recovers costs, or if it subsidises the services.

You should ask the operator whether you're able to access services and funding from the local District Health Board if you need assistance, care services or both later on.

In most cases, you'll have to pay for your own telephone and power, contents insurance and medical costs, in addition to your normal household and personal expenses.

Serviced apartments are an exception – generally they include these costs in one package and may cover things like food, cleaning and care services.

Increase in charges

Residents must be informed and consulted about any proposed changes to services, benefits or charges that might affect them. Ask the village operator about how they make changes to their fees, and find out about how and when they pass on their increased costs. Some villages have fixed weekly fees that will not change during the term of your occupation.

What happens if you can't afford the costs?

Deferred payments

Many operators will work with you to find a practical financial solution to keep you as a resident. Ask the village operator if they offer a way for regular payments or unexpected charges to be deferred until after you leave. Find out how this works and what interest rate is charged, if any. Deferring your payments changes your contract. This change needs to be in writing and signed by you and the operator so you may want to discuss your situation with your lawyer or family before signing.

Mortgaging your unit

If you own a cross lease or unit title unit, you might be able to borrow against the payment you made to live in your unit with a mortgage or a type of equity release. Ask the village operator or your lawyer if this is an option before you buy. If you have this right it will also be set out in the disclosure statement the village is required to give to you.

Government assistance

Ask about government assistance for services, health and accommodation costs. A lawyer, financial advisor, community law centre, community agency like Age Concern or Citizens Advice Bureau or the village manager could advise you.

Whether you qualify may partly depend on whether you live alone or as a couple in a village rather than in the community, and also whether you own your unit or simply have the right to live there.

If you are renting a unit in a village or own a unit title you may be eligible for the Accommodation Supplement. The Accommodation Supplement is a non-taxable income and asset-tested supplement providing assistance towards your accommodation costs. You must meet certain criteria to receive this supplement. More information is available from Work and Income. www.workandincome.govt.nz/eligibility

Rates rebates

If you are the "named ratepayer" on your rates demand (which is most likely if you're in a unit title village), you may be eligible for a rates rebate, as long as your income is under the threshold set by the government. Some local councils offer income-eligible residents in licences to occupy a rates remission that is similar to the rates rebate paid by central government. Ask the village operator if this is available to you.

What if your personal situation changes?

Your needs may change – keep this in mind when you're working out the financial details and choosing the village. You might decide to move to a different unit within the village, or you may go from living with someone to living alone or vice versa. At some point you may need a higher level of care.

 Find out if it is possible to move within the village and the costs of doing so, (including into any care facility at the village). The village operator must explain the costs of moving within the village before you sign up. For information about pathways to care for retirement village residents visit www.cffc.org.nz/retirement/retirement-villages/resourceslinks/care-and-assistance/






Finding out how the village works

The ways in which retirement villages are owned and managed vary.

Villages can be owned by companies, charitable or religious trusts, partnerships or individuals. Many operators employ a manager to look after day-to-day operations. It's important to be satisfied a village is managed well.

The statutory supervisor

All villages must be registered and must have a statutory supervisor unless exempted from having one. The statutory supervisor is an independent individual or company appointed by the operator to oversee the financial operations of the village, and ensure the security interests of residents and management of the village are adequate.

 Statutory supervisors are licensed by the Financial Markets Authority. Find out more about the statutory supervisor at: www.cffc.org.nz/retirement/retirement-villages/act-regulations-and-codes/statutory-supervisors/

The statutory supervisor also:

- listens to residents' concerns at meetings before they become complaints
- reports on their activities at the annual general meeting, and stops advertisements for the village if they're not correct
- reports to the Registrar of Retirement Villages every year about their activity in the village.

Any deposit you make to the village will be passed to the statutory supervisor to be held in a trust account on your behalf. The operator will only receive your money after a cooling-off period when you may change your mind and cancel the contract. The cooling-off period must be at least 15 working days. In some villages it is longer.

A simple way of checking whether the village has a statutory supervisor is to check the disclosure statement. You have the right to contact the village statutory supervisor at any time and if you cannot find the contact information the operator or village manager must give it to you.



Signing up

Getting professional advice

You are required to get independent legal advice before signing the occupation right agreement. The lawyer must explain the occupation right agreement to you in a way that’s appropriate, then witness your signature and certify that they have done this.

How can I find a lawyer experienced in retirement village matters?

- Find an independent specialist lawyer in your area by contacting the New Zealand Law Society. www.propertylawyers.org.nz/public/find-a-lawyer
- Use your family lawyer, but do ask them what recent experience they have of retirement village law and industry issues as this is a specialist area.
- Ask residents in the retirement village you like to recommend a suitably experienced lawyer.
- Ask local support agencies like CAB or Age Concern to refer you or help you conduct an internet search
- Try ‘google-searching’ terms such as ‘elder law’ and your area, or ‘retirement village lawyer’, and your area – to see what lawyer names appear, then investigate what experience they have.

Get an estimate or quote from the lawyer for their fees – this will cost more than when buying a house as there is more involved. Some lawyers will encourage you to bring family members along to a consultation.

It is a good time to review your estate. Often a village will ask you to have a will and powers of attorney in place while you are living at the village.

The Key documents

The village manager must give you the following documents before you can sign the contract:

- | | |
|---|---|
| <input type="checkbox"/> Disclosure statement | <input type="checkbox"/> Code of Residents’ Rights |
| <input type="checkbox"/> Occupation right agreement | <input type="checkbox"/> Retirement Villages Code of Practice |

Signing up (continued)

The disclosure statement

The disclosure statement sets out the:

- type of legal title, such as licence to occupy, unit title or other
- costs of entering, moving within and leaving a retirement village, including whether departing residents share in capital gain
- cooling-off period – this is a minimum of 15 working days after signing
- services and facilities offered
- charges while living in the village
- arrangements for maintenance, refurbishment and terminating an agreement
- financial return a resident could expect two, five and ten years after entering into an agreement
- sale process when the resident leaves
- status of the village, such as whether it's complete or not, the number of occupied units, and how long it takes to sell vacant units
- village's ownership and management structure
- name of the statutory supervisor, their role and contact details.


It must be written in a clear and unambiguous way. You can also ask the village manager for copies of the most recent audited financial statements and the village rules.

The occupation right agreement

This is your contract giving you the right to own or occupy a unit and to use the services and shared facilities in the retirement village. It also sets out the relevant terms and conditions, such as:

- payment obligations
- manager's duties
- procedures relating to meetings and consultation
- termination rights
- the complaints and disputes resolution process.

The agreement must be clear and unambiguous, and may include more than one document.

 **If you're buying from plans rather than into a village that's already complete, talk to an experienced lawyer earlier to avoid any unexpected pitfalls and before signing or paying for anything you are unsure about.**

Find out when the completion date is. If your unit is not practically completed within six months of the completion date you can cancel the occupation right agreement.

The Code of Residents' Rights

The Code of Residents' Rights is a summary of your basic rights under the Retirement Villages Act which are:

- services and other benefits promised to you in your occupation right agreement
- information relating to any matters affecting, or likely to affect, terms or conditions of your residency
- consultation by the operator about any proposed changes in the services and benefits or the charges that you pay, and on anything that affects your occupancy or ability to pay
- the ability to complain to the village operator and receive a response in a reasonable time
- a speedy and efficient process for resolving disputes between you and the operator, or between you and other residents of the village
- the ability to involve a support person or a person to represent you
- your right to be treated with courtesy and respect.

You have the right not to be exploited. In turn, you must respect the rights of others at the village and treat them with courtesy.

Operators must include details for the village manager and other people you might need to contact if you want information about your rights or to make a complaint.

You can search the Register of Retirement Villages to see copies of key documents for any registered village or compare terms in different agreements. Access the register under the Companies Office website or call **0800 268 269** for assistance: **www.companiesoffice.govt.nz/companies/learn-about/other-registers/retirement-villages**



Signing up (continued)

The Code of Practice

The Retirement Villages Code of Practice sets the minimum standards for operation of the village that operators must comply with or exceed.

The requirement for the operator to comply with the Code of Practice is also included in every resident's occupation right agreement. The Code covers:

- staffing
- safety and personal security
- fire protection and emergency management
- transfer of residents within the village
- meetings and resident involvement
- complaints
- accounts for regular fees
- maintenance and upgrading
- termination of the agreement
- communication.

The Code sets out a process for what happens if the village, or your unit, gets damaged or destroyed.

Cancelling your agreement

After you pay your deposit, the village's statutory supervisor or an independent solicitor will hold it until the settlement date or until you cancel the occupation right agreement during the cooling-off period.

There are three situations in which you can cancel the occupation right agreement after you've signed it.

- If you change your mind during the cooling-off period. This is a minimum of 15 working days from when you sign the agreement. The length of the cooling-off period must be stated in the disclosure statement.
- If the unit hasn't been built within six months of the proposed completion date stated in the agreement.
- In certain circumstances if you discover substantial breaches after you've signed it. In this case, the village must also refund any other costs you've had to pay, such as legal and removal expenses.

Substantial breaches include:

- the village not being registered when it should be
- the disclosure statement or occupation right agreement not containing all the required information
- an independent lawyer not certifying that they had explained the agreement and its implications to you, and then witnessing your signature.


In each case, the village will refund the amount you paid plus interest, less payment for services you used and any damage caused if you lived in the unit during this time.





Village rules

Many villages have unique rules that cover anything from visitor numbers and pets to parking, redecoration or additions to your unit, renting your unit, gardening, and whether or not you're allowed to operate a business from the village. Some villages will include the rules in the occupation right agreement.

 Ask for a copy of the village rules, and then find out who sets them and whether they can change.

Resident involvement

Village operators must consult with residents on certain matters, such as increases in charges or refurbishment. In some villages residents will be quite involved in how their village is run. Some villages will have active resident committees who can help you deal with village management if you wish.


Talk to the residents and the residents' committee or committee chairperson, if there is one, before deciding on which village to move into. Ask them about how involved they are in running the village, and how management responds to their involvement.

Questions to ask include:

<input type="checkbox"/> Are residents members of the Retirement Village Residents' Association of NZ (Inc)? www.rvanz.org.nz	<input type="checkbox"/> Do residents regularly meet with village management outside AGMs?
<input type="checkbox"/> Does the village have a residents' committee?	<input type="checkbox"/> How else does the manager like to consult with residents about any proposed changes?
<input type="checkbox"/> Is there a newsletter?	

Complaints process

Retirement villages are like any other community. Sometimes people have differences or things go wrong. You may have a complaint about the operator or manager of the village or another resident.

 Ask the village manager for a copy of the village’s complaints policy.

Complaints policy and process

Every retirement village must have a complaints policy and procedure. Your operator should provide you with a copy of this. Residents can make a complaint to the operator about the operation of the village or another resident. An operator can make a complaint about a resident.

Once you’ve made a complaint, your operator should try to resolve your complaint in 20 working days. Not all complaints can be resolved quickly. If the complaint cannot be resolved easily, your operator should encourage the use of alternative dispute resolution processes like mediation. Your operator can ask you for a time extension to resolve a dispute. It’s your choice to accept or decline this request.

After the operator has given you a full response, you can accept or reject the response. If you’re dissatisfied or disagree with the response, the way the complaint was handled, or a time delay, you can:

- Ask the statutory supervisor to recommend a way forward,
- Consider mediation to resolve the dispute, or
- Issue a dispute notice and require the matter to be considered by a disputes panel under the Retirement Villages Act.

Mediation

Disputes between residents or operators may be resolved through mediation, when both parties agree to this process. Alternative dispute resolution processes (which may include mediation) should be offered as an option if the complaint cannot be easily resolved through the operator’s response. Mediation, as an example, helps residents and operators talk about and resolve their problems, without having a disputes panel member holding a dispute hearing.

A mediator can help you discuss the problem, identify the issues and help you come up with a workable solution which might help restore relationships too! The outcome of the mediation often remains confidential, unlike the disputes panel hearing, which is published.

Who are mediators?

Mediators are specialists trained in helping people resolve disputes. They’re independent and unbiased. Mediators don’t decide anything for you, which is different from going to a disputes hearing. The Commission approves agencies with accredited mediators suitable for retirement village matters. Visit www.cffc.org.nz/retirement/retirement-villages/complaints-and-disputes/mediation/

Disputes notice

If a complaint has not been resolved within 20 working days of the complaint being made, the issue may be dealt with by a disputes panel.

A disputes notice needs to be given within six months of the original complaint.

The panel is made up of members chosen from a list of independent adjudicators approved by the Retirement Commissioner. The Act and the disputes panel regulations set out a detailed procedure for formal dispute resolution. More information is available from: www.cffc.org.nz/retirement/retirement-villages/complaints-and-disputes/



Costs when leaving the village

There are costs associated with leaving a village and selling the unit. You'll need to know about these costs in case you decide to live elsewhere, or you want to leave money in your will.

How much are you likely to get when you leave?

When your unit is sold or disposed of, the operator retains a fixed deduction of around 20-30% of the original capital sum you paid for the unit.

When you move in the village manager must give you a disclosure statement that includes the amounts you're likely to get if you leave the village after two, five or ten years of buying into the village.

Capital gains

Your occupation right agreement and disclosure statement will tell you if you will get a share of any capital gain from the sale or other disposal of the residential unit. In most cases residents don't get any share of capital gain on their unit over their occupancy.

Capital loss clauses

Some occupation right agreements contain a capital loss clause. This means that if the operator sells or disposes of your unit for less than you paid for it, you may be expected to cover the operator's loss.

Many new agreements have done away with capital loss clauses. You should ask your lawyer to check the agreement and explain this to you before you sign the contract.


The sale process

In most villages, the operator controls the sale of the unit when a resident leaves. The resident often has to wait until their unit is sold before receiving their exit repayment. A sale can be delayed by refurbishment work. If you're in this situation, it's also likely that you'll have to continue paying weekly fees until your unit sells.

Some operators stop charging weekly fees on a resident's departure. Weekly fees must reduce by at least 50% if your unit has not been sold within six months of you leaving it.

The Code of Practice sets out the process for selling units. Find out how long it will take for you or your estate to receive your capital repayment. Remember, retirement villages are not immune to slowing housing markets, so be realistic about sales time frames.

The disclosure statement includes information on the disposal of units at the village, including average time taken and unit-specific data.

 **Some villages don't charge fixed deductions when moving between units or will have regard to the time already spent in your first unit when setting the fixed deduction for your second unit. Ask your lawyer to check this and ask your operator what their transfer policy is before becoming a resident.**



Costs when leaving the village (continued)

Refurbishment

Residents cannot be required to pay for fair wear and tear if their occupation right agreement was signed after 25 September 2006. Not all occupation right agreements signed before September 2006 require you to pay for refurbishment when you leave.

Many operators agree, in the occupation right agreement, to accept responsibility for full refurbishment subject to your liability for damage beyond fair, wear and tear.

Ask your lawyer to explain what your liability will be for any damage caused or alteration works you were allowed to do in your unit.

Explanation of costs when leaving the villages

Here are examples of costs you may be requested to pay when leaving a village:


- fixed deductions.
- removal of alterations made because of disability (check to your occupation right agreement).
- charges you may have to pay for marketing and selling the residential unit (real estate fees).
- charges for changes to the title (legal costs).
- ongoing weekly fees (these must reduce by a minimum of 50 percent after six months).
- refurbishment (possibly) or repairs for damage beyond fair wear and tear.

You may also want to allow for a valuation fee, if your unit does not sell within six months. The Code of Practice requires the operator to have the unit re-valued. If you disagree with the revised valuation, you may obtain your own valuation, at your cost.

The costs of transferring within a village

Alice and Jack purchased the right to live in a villa for \$450,000. This was exactly the money they had left over from selling their house. They planned to move to an apartment as their needs changed, and still have money left over.

When the time came to move, their villa was worth \$600,000. However, Alice and Jack found they would only receive \$337,500 from its sale due to deductions, and they wouldn't receive any share in its capital gain. Meanwhile, the cost of the apartment had risen to \$390,000, so their dream of downsizing as their needs changed was not possible without some other assistance.

 **Most operators only pay your exit repayment once they have sold (licensed) your unit to a new resident**


Operators must cease charging personal service fees as soon as a resident permanently moves out of a village. However, weekly fees can continue to be charged until a new resident is found and the exiting resident is paid out. Some operators will stop recovering ongoing weekly fees shortly after you leave.

Worked example of an exit repayment where there has been capital gain in the value of the unit - with no share to the resident

The example below is where residents don't receive a share of the capital gain in the value of the residential unit being sold, even though its capital value has increased. This is the most common exit repayment method in New Zealand retirement villages.

- The fixed deduction is calculated by multiplying the initial capital payment by the percentage in brackets and your time in the village. In this example the rate of deduction is 5 percent each year for five years, or a maximum of 25 percent off the initial capital payment.

- The marketing fee is calculated by multiplying the new sale price (estimated to be \$600,000) by the percentage in brackets in column four. Not all operators recover marketing fees when re-licensing the unit to a new resident.
- The exit repayment value is the initial capital payment paid for the unit less the fixed deduction and any other fees or charges.

 The following examples are a guide only. You should ask your operator about legal fees and marketing fees, if any, refurbishment costs and renovation costs (if you have modified the unit because of disability) to get a better estimate of what your exit repayment value will be.

The unit is sold (licensed) to you for \$450,000				
Your initial capital payment: \$450,000				
Length of time in unit	Fixed deduction (% of initial capital)	Legal fees (if payable - estimated)	Marketing fees (3% of new sale price \$600 000)	Your exit repayment value
2 years (10%)	\$45,000	\$800	\$18,000	\$386,200
5 years+ (25%)	\$112,500	\$800	\$18,000	\$318,700

Costs when leaving the village (continued)

Worked example of an exit repayment when the operator makes a capital loss

In a capital loss situation, the operator is unable to sell the unit for a higher amount than your initial capital repayment.

Where an operator sells at a capital loss, the sales process requires the written consent of the outgoing resident before the sale to an incoming resident can proceed, unless the operator is not passing on the capital loss to the outgoing resident.

If the operator sells the unit for \$450,000 (the same price as you paid), there is no capital loss and the exit repayment value is unaffected.

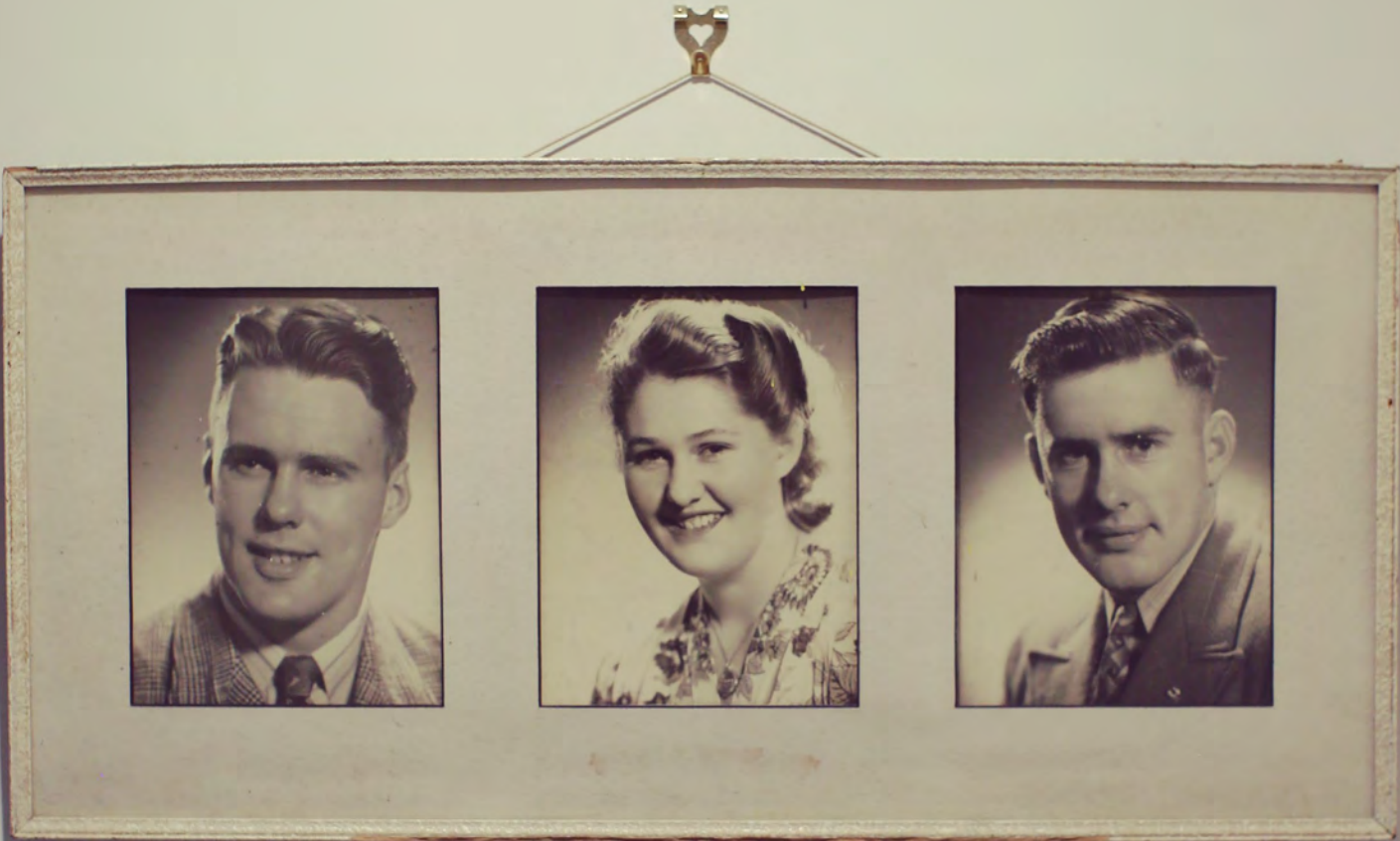
If the operator sells the unit for \$430,000, the calculation is as follows.

Some operators do not include capital loss clauses in occupation right agreements. Ask your lawyer to check if you have to pay any capital loss made on sale or disposal of the unit.

Your initial capital payment: \$450,000

The operator resells the unit for \$430,000

Length of time in unit	Fixed deduction (% of initial capital)	Legal fees (if payable - estimated)	Marketing fees (3%) (of new sale price \$430 000)	Capital loss	Your exit repayment value
2 years (10%)	\$45,000	\$800	\$12,900	\$20,000	\$371,300
5 years+ (25%)	\$112,500	\$800	\$12,900	\$20,000	\$303,800



More information

For general information about retirement villages

The Commission has a Freephone for general enquiries about retirement village matters: **0800 268 269**

For an overview of the retirement village industry and the roles of key participants in it, see: www.cffc.org.nz/retirement/retirement-villages-at-a-glance

The law

Copies of the Retirement Villages Act 2003 and regulations can be bought from Legislation Direct (www.legislationdirect.co.nz or phone (04) 568 0005) or selected bookshops.

All New Zealand laws can be viewed, and downloaded, free of charge at www.legislation.govt.nz. Copies of the Retirement Villages Code of Practice 2008 can be downloaded free of charge from www.mbie.govt.nz/info-services/housing-property/retirement-villages/code-of-practice-2008/

Your operator may have placed a copy of the Code of Practice in the village library or manager's office. If you can't find a copy in your retirement village, ask your manager or neighbours if they have one.

Work and Income

If you are 65 and over, Work and Income have a range of financial assistance options including accommodation assistance. Call 0800 552 002 or see www.workandincome.govt.nz/eligibility/seniors or see www.seniors.msd.govt.nz

For information about residential care subsidies or loans call 0800 999 727

Commission for Financial Capability

The Retirement Commissioner has a lead role promoting and publishing information and education about retirement villages. It has a broad monitoring role of the Act, is responsible for putting together a list of suitable people to hear disputes and has oversight of the disputes process. More information about the Commission and the disputes process can be found at www.cffc.org.nz/retirement/retirement-villages/complaints-and-disputes/

The Commission for Financial Capability can be contacted on (09) 356 0052 or retirement.villages@cffc.org.nz

The Registrar of Retirement Villages

The Registrar of Retirement Villages has the following functions.

- Receiving and checking applications for registration
- Maintaining the register of retirement villages
- Granting exemptions from the Code of Practice
- Carrying out some compliance and enforcement functions



Financial Checklist

This checklist helps you think about your own situation and compare different villages.
You can print it off from www.sorted.org.nz/life-events/moving-to-a-retirement-village

Retirement Village: _____

Date: _____

1. The financial management and viability of the village

- ☐ Who owns the village and what's their reputation?
- ☐ Are the village's financial accounts standalone or combined with another village or business?
- ☐ What protection do you have if the village is bought by another organisation or closed down?
- ☐ What are your rights if the village gets into financial difficulty?
- ☐ Who is the statutory supervisor?
- ☐ If there is no statutory supervisor, is full replacement insurance cover in place and what is the excess?

2. Entry costs

- ☐ What is the entry cost?
- ☐ What does this cost cover?

3. Ongoing costs

- ☐ How much are the weekly fees?
- ☐ What do they cover and how are they calculated? What costs do you pay in addition to the weekly fees?
- ☐ Who pays for normal outgoings like rates, insurance, telephone and power?
- ☐ Are there any limits to how much and how often weekly fees can be raised or changed? What is the village's policy for passing on increased costs?
- ☐ What does the village's transfer policy say about fees and charges ?
- ☐ Do you pay these fees if you're on holiday or in hospital?
- ☐ Do the fees change if the number of people in your unit changes?

Financial Checklist (continued)

4. Costs of transferring within the village

- ☐ Do you have to sell the existing unit before moving to a different one?
- ☐ Do you have to continue to pay weekly fees on the original unit until it sells, as well as on the new one?
- ☐ Do you have to pay fixed deductions or amenity fees on your original unit?
- ☐ Do you have to pay further entry costs when moving to a new unit within the village?
- ☐ What are the costs of transferring into a care facility in the village?

5. Leaving costs (these questions are also relevant if transferring within the village)

- ☐ How is the unit sold, and will you have a say in its price and how it's valued?
- ☐ Can you live in the unit or rent it out while it's on the market?
- ☐ What ongoing fees will you have to pay while the unit is on the market, and for how long?
- ☐ Does the unit need to be refurbished before it goes on the market?
- ☐ Are there deductions from the original purchase price or actual sale price for refurbishment, marketing or administrative costs?
- ☐ Will you be reimbursed for improvements you've made, and how are these valued?
- ☐ Will you get the capital gain if any, or a share of it?
- ☐ Will you have to pay for any capital loss made on resale?
- ☐ When do you get paid what's due to you?
- ☐ What happens if there are significant delays?



Top tips for your search:

Take your time.

You're more likely to choose the right retirement village if you can make a considered decision.

Make a list of the things you'd like in an ideal village.

Check that the village you're interested in is registered and if it is a member of the Retirement Village Association: www.retirementvillages.org.nz

Visit different villages and find out what they offer.

Talk to the residents and ask them about living in the village.

Consider what you might need in the future.

Can you stay there if you or your spouse/partner's health or mobility declines? See our flowchart of care pathways for residents: www.cffc.org.nz/retirement/retirement-villages/resourceslinks/care-and-assistance/

Ask if there are any future development plans in the village that might impact on your preferred unit or the design of the village.

Read the disclosure statement and occupation right agreement for the village.

Make sure you understand them.

Contact an independent financial planner or accountant experienced in retirement villages.

Talk to them about the costs, what you can afford and the money you might need if you leave the village or wish to leave a legacy.

Get independent legal advice from a lawyer with experience in retirement villages matters.

Make sure you get any verbal agreements in writing, or have them written into your occupation right agreement.

Involve your family or friends in your decision.

Glossary:

Cooling-off period	Period of time in which you can cancel a contract and receive your money back.
Disclosure statement	Refers to the ownership, management, organisation, services and facilities of a village. The disclosure statement also gives financial information about entry fees, ongoing fees and exiting fees.
Exit repayment	The repayment of your initial capital less fixed deductions and other charges specified in your disclosure statement and occupation right agreement.
Fixed deduction	A sum retained by an operator when you leave your unit and deducted from your initial capital payment. Many villages call this other names such as a deferred management fee or amenity fee, exit fee, facilities fee, village contribution or amenity contribution.
Intending residents	People who are thinking about living in a retirement village.
Occupation right agreement -	Contract to live in a retirement village. Most agreements offer a license to occupy a unit.
Residents	People who live in a retirement village pursuant to an occupation right agreement.
Retirement Villages Act 2003 (also "the Act")	Law that retirement village operators and residents have to comply with.
Retirement Villages Code of Practice	Sets out minimum standards of operation of a village that an operator must meet or may exceed.
Retirement village	Two or more residential units providing services or facilities for people predominantly of retirement age and a capital sum is paid by the resident. Some provide care facilities, are attached to rest homes or hospitals or offer houses with basic services. Retirement villages must be registered.



Commission for
Financial Capability



www.cffc.org.nz