Moving to a Retirement Community
What you need to know.

Your guide to Retirement Villages and Land Lease Communities

GOLDEN AGE
ADVISORY

Contents

Retirement Communities 3

What is a Retirement Village? 5

What are Land Lease Communities? 6

Types of accommodation 8

Breaking down the costs 8

- The Ingoing 8
- The Ongoing 9
- The Outgoing 10

Who Cares? 11

Your legal contract 12

Changes to your pension 13

Do I need advice? 14

Retirement Community Checklist 15

Disclaimer

The information provided in this booklet is purely factual in nature and does not take into account your personal objectives, situation or needs. It is not intended to imply any recommendation, opinion or advice. You should seek advice from a qualified professional about your particular needs, financial situation and objectives.

Aged Care Gurus does not hold an Australian Financial Services Licence ("AFSL") and does not provide advice. Aged Care Gurus provides a network of advisers who are authorised to provide advice.

Retirement Communities

Retirement Communities, just like the people that live there, come in all different shapes and sizes.

They also offer a range of lifestyle choices from those seeking an active lifestyle to those who need care and support to continue living independently — and everything in between.

It may sound corny, but when it comes to choosing the right one for you it's all about the vibe — getting to know how the community operates, the activities on offer and speaking to the people who live there is more than just coffee and scones, it's valuable research in finding which community suits YOU.

There are lots of different terms used by retirement communities, from the traditional "Retirement Village" or "Over 55's Community" to the more contemporary "Gated Community", "Lifestyle Resort" and even "Aged Care". While it can seem that there are lots of different financial arrangements to compare, the reality is that most retirement communities are either a Retirement Village or a Land Lease Community... we will look at both in this booklet.

What is a Retirement Village?

Retirement Villages operate under state (or territory) legislation, often called the *Retirement Villages Act* and are regulated by government agencies such as consumer affairs or fair trading.

The rules around Retirement Villages vary from one state to another. Generally speaking the legislation prescribes what is and isn't a Retirement Village, who can be a resident (typically there is a minimum age of 55) and the legal documents such as contracts and disclosure documents that the operator is required to give you.

It also regulates some but not all of the financial arrangements — typically Retirement Villages are required to run the village on a costs recovery basis with residents having input into the expenses.

What are Land Lease Communities?

Land Lease Communities are sometimes referred to as "Residential Parks" or "Manufactured Home Parks" because technically all of the homes are removable.

Like Retirement Villages, Land Lease Communities operate under state or territory legislation, either via specific Acts such as the *Manufactured Homes (Residential Parks) Act* or as part of the *Residential Tenancies Act* or a combination of the two.

Most Land Lease Communities are purpose built for retirees with a view that their home in the community will be the principal dwelling — i.e. not a holiday home. In some cases Land Lease Communities are built alongside a tourist park, in these cases the Land Lease Community Residents often have access to all of the facilities of both the tourist park and the Land Lease Community with restrictions on tourist park residents being able to access the Land Lease Community.

Types of accommodation

Accommodation within a Retirement Community is often categorized as:

1. Independent Living
2. Supported Living

While there may be an aged care facility on the same site, the financial arrangements that apply there are completely different.

Independent Living in a retirement community typically provides the lowest level of care and support and is much like living in your own home — with the exception that there may be an emergency call system. It is important to understand that the care summoned may not be onsite, for example the call system may notify a friend or family member or may be directed to emergency services.

Of course, unlike living in your own home there is very little if any maintenance required and there is typically a community centre (with a calendar of events), the ability to use the facilities without travelling or paying membership fees and the company of like-minded people.

Supported living provides a higher level of assistance through domestic services such as cleaning and meals and in some cases they deliver care through government funded packages, private carers or a combination of the two. The amount of care that can be provided will vary from one community to another and will also depend on the individual person's needs.

Breaking down the costs

It can be easier to understand the costs if you break it down into **the Ingoing, the Ongoing and the Outgoing**.

The Ingoing:

In a Retirement Village the ingoing is the price you pay for your right to occupy your home (or apartment) and to use the common facilities, typically this is on a leasehold or licence arrangement.

In a Land Lease Community the price you pay upfront is to buy your home and have a leasehold over the land.

The upfront price may also include a deposit that you paid earlier, the cost to prepare your contract or register your Leasehold on the operator's title. In some communities you can also have the option of purchasing car parks, boat or caravan parking and storage units.

Where the home is in a strata title village the amount you are paying is to own the home and have use of the common facilities (often through an owner's corporation). In the case of strata title you may need to factor stamp duty into the ingoing costs.

The Ongoing:

In both Retirement Villages and a Land Lease Communities residents pay a weekly or monthly fee towards the running of the community including the facilities and relevant insurances. In a Retirement Village this is often called a "general service charge", in a Land Lease Community it is called "site fees".

It is not uncommon for the site fees in a Land Lease Community to be higher than the general service charge of a Retirement Village. This is because the general service charge is similar to the costs of an owner's corporation where a budget is prepared, the residents have input into the expenses and the fees are levied on a cost recovery basis.

Different rules apply to Land Lease Communities, who often make their profit from the site fees, hence the site fees tend to be higher. But this is often offset but the fact that Land Lease Communities charge a lower or no Deferred Management Fee.

In addition to the cost of living in a Retirement Community you will also need to factor in your cost of living: utilities, groceries and any additional services like meals, cleaning or care, as well as ad hoc expenses such as travel.

The Outgoing:

The greatest confusion of Retirement Communities comes from the exit fee, the biggest part of which is normally the Deferred Management Fee (DMF).

When the time comes to sell your home in either a Retirement Village or Land Lease Community you're likely to incur fees — typically agent's fees and marketing expenses and possibly the cost of repairs or improvements to your home.

A significant part of your exit fee is likely to be in the Deferred Management Fee (DMF). The DMF is normally a percentage of either your original purchase price or the re-sale price, anything between 25% and 40% is common. It may also include a sharing of capital gain with the operator.

In some cases the amount you get back from the Retirement Community will be paid to you shortly after you leave — under what is called a "Buyback" arrangement. In other cases you will need to wait for your home to be sold to receive your money back.

Who Cares?

There are a range of care services you can receive in a Retirement Community. These services may be provided through private carers, Commonwealth Home Support Programme (CHSP), a Home Care Package (HCP) or a combination. The costs for private carers and CHSP services vary so you should speak to the service provider before you start receiving their services.

All Home Care Package recipients can pay the Basic Daily Fee, calculated at 17.5% of the pension. Your ability to contribute towards the cost of a Home Care Package beyond the Basic Daily Fee will be assessed by the government based on your and (if applicable) your partner's income. If your assessable income exceeds the threshold you will need to contribute towards your home care package at the rate of 50¢ per dollar above the threshold*.

Full pensioners do not pay an income-tested care fee, part pensioners and self-funded retirees cannot pay more than the annual cap.

*Please refer to the Aged Care Gurus Ready Reckoner for current rates and thresholds.

Your legal contract

Your legal contract is a very important document that sets out your rights, responsibilities and costs.

In a Retirement Village your legal contract is often a Leasehold or Licence Agreement but in some cases it may be a Company Title, Strata or even a rental agreement.

In a Land Lease Community your contract has two parts: the purchase of your home and your Lease over the land.

Some of the important considerations of your contract will be:

- How much are you paying for your home?
- What is your security of tenure? Under what circumstances can you be required to leave?
- How are the ongoing fees determined? Are they indexed at a known rate? Do you need to keep paying them after you leave?
- What are your rights and responsibilities in refurbishing the home when you leave? How much will you receive, will you need to wait for the home to be sold to someone else or will you receive the money within a certain timeframe regardless?

Your legal contract can have wide ranging implications, you should seek advice from a legal professional who specialises in this area.

Changes to your pension

If you receive a government pension it is important to understand how your move to a Retirement Community can affect your pension and any other benefits you may receive.

In a Retirement Village the amount you pay for your home is used to determine whether you are a homeowner for pension purposes. If the amount you pay is more than the threshold* you are a homeowner and the value of your home is exempt.

If the amount you pay is below the threshold, you are considered a non-homeowner and the amount you have paid for your home is assessable, but you get a higher asset threshold and you may qualify for rent assistance*.

In a Land Lease Community because of the contract arrangements, i.e. you own your home and lease the land, from a pension perspective you are a homeowner (your home is exempt) that is eligible to receive rent assistance based on your site fees.

*Please refer to the Aged Care Gurus Ready Reckoner for current rates and thresholds.

Do I need advice?

The simple answer is Yes. This booklet gives you some useful information to help you better understand Retirement Communities but it is important that you seek advice about your individual circumstances.

Moving to a Retirement Community can have wide ranging effects, including on:

- your pension entitlement and other benefits
- your cash flow
- tax
- the cost of a home care package, and
- the amount of money you will receive after you leave.

Financial arrangements can vary within a Retirement Community and from one to another. One financial arrangement may be better suited to you and your financial objectives than another.

We can help you understand the costs of moving to a Retirement Community by:

- identifying the fees and charges that will apply to you
- calculating your pension entitlement and other benefits
- discussing the strategies for meeting your financial objectives
- providing you with a comprehensive analysis of the options so that you can make informed choices.

To find out more about Retirement Communities, or to make an appointment please call.

Retirement Community Checklist

Ingoing

- ☐ Is the Community a Retirement Village or Land Lease Community?
- ☐ What is the purchase price of your new home?
  Is there a deposit or payment installments required?
- ☐ Are there any transaction costs; stamp duty, registration on title, contract preparation fees?
- ☐ How will your pension and other benefits be affected?

Ongoing

- ☐ What are the ongoing fees, what do they cover?
- ☐ What additional services are available, what do they cost?
- ☐ Is care available in the community? How do you access it? What does it cost?
- ☐ What will be your personal expenses? Will they change over time?

Outgoing

- ☐ Under what circumstances can you be required to leave?
- ☐ Do you or the operator manage the sale of your home?
- ☐ Is a Deferred Management Fee charged, How much is it?
- ☐ Do you share in capital gain/loss?
- ☐ What is the estimated refurbishment cost?
- ☐ Is there a guaranteed repayment timeframe?

How to contact us

To talk over the best way forward, call us today

Servicing Townsville

Steve Jenkosky [CFP®, MFinPlan, DipFp]
Golden Age Advisory
PO Box 413, Garbutt East QLD 4814
145 Ross River Road, Mundingburra QLD 4812
Ph: 0408 771 677
Email: steve@goldenageadvisory.com.au

or visit our website
www.goldenageadvisory.com.au

Golden Age Advisory ABN 29 401 532 318
Authorised Representatives of Synchron AFS Licence 243313

GOLDEN AGE ADVISORY

Disclaimer

This advice is of a general nature only and is based on current laws and their interpretation. The application of the information in this document will depend on the individual's circumstances. Before making any investment decisions we recommend you consult with us so that we can take into account your particular investment objectives, financial situation and individual needs.

Aged Care Gurus

Part of the Aged Care Gurus Adviser Network