Thinking of living in a retirement village?

Commission for Financial Capability

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Introduction

This booklet contains important information on rights and responsibilities under the Retirement Villages Act 2003. It provides 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 is complex, and villages vary in their accommodation, support, management, legal and financial structures.

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. It contains detailed provisions for residents in the period before an intending resident enters a retirement village, during their occupation and after they leave.

The Act also places responsibilities on, and a regime to control, all retirement village operators.

Choosing the lifestyle you want

Before you choose a village 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

› 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, then get them involved in finding out local amenities available within the wider community, as well as those available within the village.

Villages vary

Villages vary from not-for-profit to commercial villages, from small to large, and from with limited service through to full hospital care and even dementia care.

Pinpoint the things you really want, such as:

- I want some garden I can work in – even if it's only tiny!
- I need my privacy
- 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.

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:

- Moving to communal living may affect your privacy. You may need to think about whether you are prepared to compromise your privacy for the benefits of community life.
- 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.
- You also need to think about the kind of philosophy the village has.
  - What types of shared facilities and services would you like?
  - Does the village you're considering offer them?

!

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.

The disclosure statement contains important information about ownership, rights, responsibilities and financial obligations.

Read the disclosure statement thoroughly and carefully. Note down any questions and, when you next visit the village, ask the manager or salesperson for answers.

By understanding the statement, you can become a more informed consumer. This will help you choose a village that's right for you.

You may decide you'd rather:

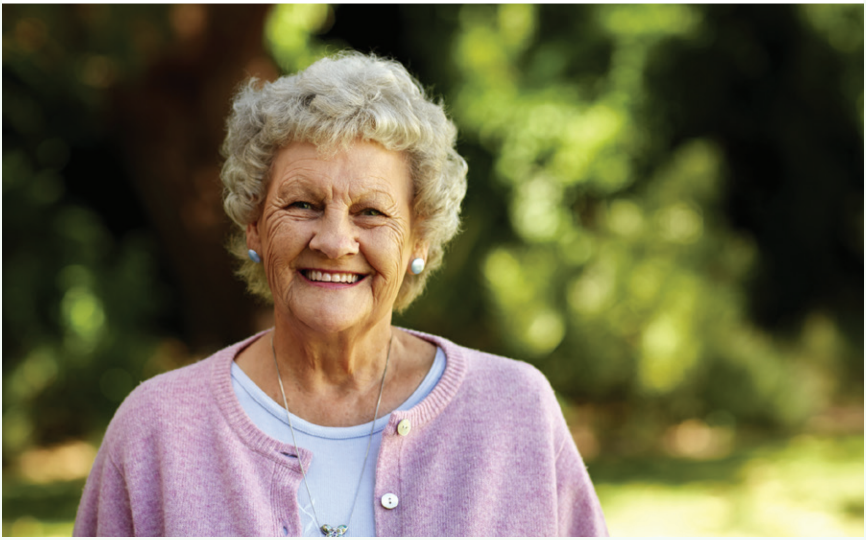
- Remain in your home by modifying it with ramps and rails, and getting home help
- Downsize to a smaller home closer to facilities – apartments and townhouses often provide security, companionship and maintenance
- Move to a cheaper area and free up funds to pay for garden and home maintenance, as well 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/a-z-guides/retirement-income
- Take in a boarder or move in with family or friends – that way you have some home help, as well as companionship and security
- Rent, and pay someone to take care of gardening and maintenance for you, while freeing up funds.

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 legal structure

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.

There are several legal titles used in retirement villages

Licence to occupy

The majority of registered retirement villages in New Zealand offer a licence to occupy. This gives you the right to live in the unit, without ownership rights. It usually means you can't borrow against the value of your unit, though some villages may offer this option.

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. Some operators run the body corporate without resident membership, so upkeep and maintenance is the operator's responsibility.

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.

Cross lease

If you have a cross lease, you share ownership of the land and its units, and grant leases to one another to live there. The leases include agreement about the length of the lease, the use of the land, and the residents' rights to live there.

Lease for life

In this case, you have a lease for a unit or property in the village, which remains in place until you die or leave the village.

All residential units in registered retirement villages have a 'memorial on the land title'. This memorial gives you security of residency over any individual or company that has loaned your operator money against the 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.

!

Remember to ask your independent lawyer to check the ownership and title of the unit. Ask your lawyer to explain how this affects your ownership or occupancy rights of the unit or property.

Knowing the costs

There are usually significant 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 charges cover and exactly how much they will be. Often residents don't receive any capital gain when they leave.

Costs when you enter

As a new resident, you'll pay a capital sum when entering a village as the entry price. The occupation right agreement (contract) gives you the right to live in your unit under any of the legal structures on the earlier pages.

Typically, up to 30 percent of that capital sum is spent over the following three, four or five years to cover costs such as the use of communal facilities, management or long-term maintenance. This is usually deducted at the end of the occupation right agreement and is commonly called a 'fixed deduction'.

Other terms used include '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.

Costs while you're living in the village

While you're living in the village, you'll pay regular 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. Make sure you also find out whether the village adds a premium for these services, or whether they just recover their costs.

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 even cover things like food.

Increase in charges

Cost increases are often a necessary part of village life. 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.

What happens if you can't afford the costs?

Deferred payments

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.

Mortgaging your 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. This is usually only possible where you actually own the unit. Ask the village operator or your lawyer if this is an option before you buy.

Government assistance

Ask about government assistance for services, health and accommodation costs. Your operator may not know about these, but residents may. A lawyer, financial advisor, community law centre or Citizens Advice Bureau are other organisations that could advise you.

Whether you qualify may partly depend on whether you live 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 buy into a unit title retirement village, you may be eligible for rates rebates. If existing residents cannot answer your questions about this, ask your local council.

Residents in retirement villages 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.

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.

Find out if it is possible to move within the village and the costs of doing so, as these charges may affect your future choices. The village operator must explain the costs of moving within the village before you sign up. This information is in the disclosure statement they give you.

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. Not all villages offer higher levels of care.

!

Find out whether you can move within the village as your needs change. What's involved and how much does it cost?

Finding out how the village works

It's important to find out how a village is managed and be satisfied it's managed well.

The ways in which retirement villages are owned and managed vary. They may be commercial or not-for-profit. They can be owned by companies, charitable or religious trusts, local authorities, partnerships or individuals. Some villages have 'live-in' managers; others do not.

When considering the management of a village, it is wise to find out about the following things:

Management agreements

Many villages have management agreements to cover the village's day-to-day operations. Some are long-term contracts. Often the owner has a manager who looks after the village's day-to-day operations. In other cases the owner is also the manager.

Find out who appoints the manager, whether there is a management agreement and how long it is for, and what management fees you pay.

The statutory supervisor

All villages must have a statutory supervisor unless exempted. The statutory supervisor is an independent individual or company appointed by the operator to oversee the financial interests of the village.

The statutory supervisor:

- makes sure the village is run properly
- listens to your complaints
- reports on their activities at the annual general meeting
- stops advertisements for the village if they're not correct.

The statutory supervisor must report 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 the cooling-off period has expired. During the cooling-off period, a minimum of 15 days, you can cancel the contract and get your money back.

If you're considering a registered retirement village, there will either be a statutory supervisor appointed, or the operator will have an exemption certificate issued by the Registrar of Retirement Villages.

A simple way of checking whether the village has a statutory supervisor is to ask the operator or manager to see a copy of the deed of supervision (this is the contract between the operator and statutory supervisor) or the exemption certificate.

You have the right to contact the village statutory supervisor at any time.

Details of your statutory supervisor may be found in your occupation right agreement and will be in the disclosure statement.

If you can't find the information, the operator or village manager must give you the contact details of the statutory supervisor.

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.

You can find an independent specialist lawyer in your area by contacting the New Zealand Law Society. Alternatively, you can use your family lawyer, but do ask them what experience they have of retirement village law as this is a specialist area. Residents in retirement villages may be able to recommend a suitably experienced lawyer.

Make sure you:

- Choose a lawyer with experience in retirement villages
- 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
- Have your lawyer ask whether the terms of the occupation right agreement can be changed and how
- Read and understand the disclosure statement
- Ask your lawyer if you have any worries, doubts or questions

If you're buying from plans rather than into a village that's already complete, talk to an experienced lawyer early to avoid any unexpected pitfalls.

The key documents

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

- Disclosure statement
- Occupation right agreement
- Code of Residents' Rights
- Retirement Villages Code of Practice 2008 (including the 2013 amendments)

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
- 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
- state 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, the village rules, any management agreement and the deed of supervision.

The occupation right agreement

This is your contract giving you the right to 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.

! Make sure you get any verbal assurances or promises in writing – preferably in the occupation right agreement or separately signed and dated by you and the village operator. You may want to discuss any changes with a lawyer before amending a contract. Alternatively, write to the operator outlining your understanding of the verbal agreement. You could ask them to sign your letter and return a copy to you.

The Code of Residents' Rights

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

Your basic rights under the Retirement Villages Act 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
- 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
- consultation on anything that affects your occupancy or ability to pay
- your right to be treated with courtesy and respect.

You also have the right not to be exploited. In turn, it is expected that you will 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.

The Code of Practice

The Retirement Villages Code of Practice sets the minimum requirements to be included in every resident's occupation right agreement. It 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.

All villages have to comply with this Code of Practice.

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

› 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 witnessed 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 rules that cover anything from visitors and pets to parking, curfews, 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. If they can change, residents must be consulted.

Resident involvement

Village operators must consult with residents on certain matters, such as increases in charges, refurbishment and the appointment of a new village manager. In some villages, residents will be quite involved in how their village is run.

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:

- ◯ Does the village have a residents' association?
- ◯ Do residents regularly meet with village management?
- ◯ Is there a newsletter?

Complaints process

Retirement villages are like any other community. Sometimes 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 procedure.

Complaints policy and process

Every retirement village must have a complaints policy and process. 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.

Your complaint doesn't have to be in writing. 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. Your operator can ask you for a time extension. 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:

- 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.

Mediation 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.

The outcome of the mediation often remains confidential, unlike the dispute hearing, which is published.

What are mediators?

Mediators are specialists trained in helping people resolve disputes. Mediators are not necessarily lawyers, judges or counsellors. They're independent and unbiased.

Mediators don't decide anything for you, which is different from going to a disputes hearing.

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.

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/what-we-do/retirement-villages

Costs when leaving the village

There are often significant 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?

Often residents only get back part of the price they paid when they entered the village. You may have significantly less money than when you entered the village, particularly if there are deductions from the price you originally paid for the unit. Check whether you get a share in the capital gain.

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. These figures will help you understand the deductions that are made when the unit is sold.

Capital loss clause

Your occupation right agreement will tell you if you will get a share of the capital gain from the sale of the residential unit. In many cases, residents don't get any share of capital gain. Capital gain is more likely from a charitable or not-for-profit operator.

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. You should ask your lawyer or financial planner to explain this to you before you sign the contract.

Some villages don't charge capital deductions when moving between units. Ask the village operator about this.

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 capital repayment. This can be further delayed by refurbishment work. If you're in this situation, it's also likely that you'll have to continue paying regular village charges until your unit sells.

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 timeframes. All operators must keep you informed of them sales timeframes.

The refurbishment required

Not all occupation right agreements require you to pay for refurbishment when you leave.

If your occupation right agreement does require you to pay for refurbishment when you leave, the refurbishment can only be to the condition of the unit when you moved in, less fair wear and tear.

If you're required to pay for refurbishment, with the work carried out by the operator, your occupation right agreement must clearly state the process. This includes the cost and who decides what work is to be done.

The Ministry of Business, Innovation and Employment has a *Best practice guide* to refurbishment and fair wear and tear in retirement villages that explains the process fully. If you would like to obtain a copy visit www.mbie.govt.nz/what-we-do/retirement-villages

Explanation of costs when leaving the village

Here is an example of costs you could expect to pay when leaving a village.

- Fixed deductions
- Removal of alterations made due to disability or payment charge to operator (refer to your occupation right agreement)
- Charges you 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 will reduce by a minimum of 50 percent after six months)
- Refurbishment (possibly)

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 Code of Practice requires operators to 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.

The costs of transferring within a village

Alice and Jack purchased the right to live in a village for $160,000. 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 $250,000. However, Alice and Jack found they would only receive $130,000 from its sale due to deductions, and they wouldn't receive any share in its capital gain.

In addition, the cost of the apartment had risen to $160,000, so their dream of downsizing as their needs changed was not possible after all.

! The following examples are a guide only. You should ask the operator for an explanation of how they calculate the repayment price.

! In current disclosure statements, operators are only required to tell you the amount of the fixed deduction, and the repayment value presented will be higher than the example given here. You should ask your operator about legal fees, marketing fees, refurbishment costs and renovation costs (if you have modified the unit because of disability) to get a better estimate of your repayment value.

Worked example of capital repayment

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

The unit is sold to you for $350,000				
Your initial capital payment: $350,000				
Length of time in unit	**Fixed deduction**	**Legal fees**	**Marketing fees (3%)**	**Your repayment value**
2 years (10%)	$35,000	$766	$10,800	$303,434
5 years+ (25%)	$87,500	$766	$10,800	$250,934

- In this example the rate of capital deduction is 5 percent each year for five years, or a maximum of 25 percent off the initial capital payment.
- The fixed deduction is calculated by multiplying the initial capital payment by the percentage in brackets in column one.
- The legal fees have been taken from information provided by an operator in their disclosure statement (column three).
- The marketing fee was calculated by multiplying the new sale price (estimated to be $360,000) by the percentage in brackets in column four.
- The repayment value is the capital payment less the values in columns two, three and four.

Worked example of 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 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. The most common situation where capital loss clauses are invoked is following bereavement.

If the operator sells the unit for $350,000 (the same price as you paid), there is no capital loss and the repayment value is unaffected.

If the operator sells the unit for $335,000, the calculation is as follows.

Your initial capital payment: $350,000					
The operator resells the unit for $335,000					
Length of time in unit	**Fixed deduction**	**Legal fees**	**Marketing fees (3%)**	**Capital loss**	**Your repayment value**
2 years (10%)	$35,000	$766	$10,050	$15,000	$289,184
5 years+ (25%)	$87,500	$766	$10,050	$15,000	$236,684

You're required to pay for the operator's capital loss from your repayment value.

More information

For general information about retirement villages freephone 0800 268 269 or visit www.cffc.org.nz/what-we-do/retirement-villages

Information about the Retirement Villages Act 2003, policy and a list of mediators experienced in dealing with homeowner disputes is available at www.mbie.govt.nz/what-we-do/retirement-villages

To receive online communication from the Commission for Financial Capability about the retirement village sector, you can register at retirement.villages@cffc.org.nz

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. For a list of bookshops that sell legislation, visit www.pco.parliament.govt.nz/retail-outlets. 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/what-we-do/retirement-villages. 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.

Accommodation Supplement (Work and Income)

The Accommodation Supplement is granted through Work and Income. To find out whether you qualify for the Accommodation Supplement, call 0800 559 009 and ask for information about the Accommodation Supplement.

Commission for Financial Capability

The Retirement Commissioner 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 on the disputes process can be found at www.cffc.org.nz/what-we-do/retirement-villages

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.

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

The register of retirement villages is administered by the Companies Office.

More information is available at www.retirementvillages.govt.nz or phone 0800 268 269.

Financial checklist

This checklist will help you find out about and compare the costs of different villages – photocopy it so you can use it for each village you're considering or you can print it off from www.sorted.org.nz/life-events/moving-to-a-retirement-village.

Retirement Village: ____________________

Date: ____________________

1 The financial viability of the village

You need to be confident that the village is financially viable and will continue to provide the accommodation, facilities and services you're paying for.

Who owns the village and what's their reputation?
Are the village's financial accounts standalone or combined with another village or business?
What does the village's insurance cover and what are the premiums and excesses?
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?

2 Entry costs

What is the entry cost?

What does this cost cover?

3 Ongoing costs

How much are the ongoing fees?

What do they cover and how are they calculated?

What costs do you pay in addition to the regular fees?

Who pays for normal outgoings like rates, insurance, telephone and power?

Are there any limits to how much and how often fees can be raised or changed?

What is the village's policy for passing on increased costs?

Can you defer payment of some charges until you leave the village? If so, what interest is charged on these deferred payments?

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?

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 village 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?

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

How is the unit sold? Can you participate in the sale?
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 or any 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?

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.
Existing residents	People who live in retirement villages
Intending residents	People who are thinking about living in a retirement village
Occupation right agreement	Contract to live in a retirement village
Residents	See "Existing residents" (above)
Retirement Villages Act 2003 (also "the Act")	Law that retirement villages and residents have to comply with
Retirement Villages Code of Practice	The minimum requirements of information in your occupation right agreement
Retirement village	Two or more residential units providing services or facilities for people predominantly of retirement age. Some provide care facilities, are attached to rest homes or hospitals or offer houses with basic services. Retirement villages must be registered.

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.
- 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?
- Read the disclosure statement and occupation right agreement for the village – make sure you understand them.
- Find out the total costs – on entry, while you're there and when you leave.
- 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. Ask them about the different legal titles and what they mean. Get a list of specialist retirement village lawyers from the New Zealand Law Society.
- 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.

Commission for Financial Capability

www.cffc.org.nz/what-we-do/retirement-villages