

CHOOSING A RETIREMENT VILLAGE : WHAT TO LOOK FOR

What is a retirement village?

For the purposes of this information a retirement village is distinguished from a lifestyle village and embraces the following definition:

The term "retirement village" is a collection of residences together with shared recreational, dining, rest home and/or hospital amenities designed for the accommodation of the elderly.

A "retirement village" may be contrasted with a "rest home" which will have a much greater care component for the resident. Also to be distinguished are hospitals, nursing homes, hospices and convalescent homes although such establishments, along with rest homes, may be situated within a retirement village and vice versa. The concept of a "retirement village" involves accommodation for residents who have much less dependence on others for their daily living, nursing or medical needs, although many villages do offer such services or access to such services as an additional feature.

Retirement village industry

The industry had its fledgling beginnings in New Zealand in the mid 1980's and has grown steadily since then trying to keep pace with the burgeoning ageing population. Villages differ tremendously in style, structure and management. In 1987 the pioneers of the industry set up the Retirement Villages Association Inc (RVA) which has put in place a code of practice and standards for its members to adhere to.

What to look for:

- A. A *finite* *decision*
Those looking to establish themselves in a retirement village should try and consider the decision to be a finite one as far as residence accommodation is concerned. This is the case notwithstanding that entry into most villages can occur after the senior of two applicants reaches the age of 55 years. The reason being that the entry into a retirement village cannot be looked upon as a financial investment and in most cases the amount available on termination of occupancy will be less than that paid to enter. It is important therefore to ensure that the services provided by the village compensate for any loss of financial input.
- B. *Developer's* *background*
It is useful to know who the developers and managers are and what commitment they have had and are likely to have to life care. The retirement village industry is a complex one comprising a number of complex areas such as property management and health care. It will be comforting to know that those developing or in control of the village will be continuing in key roles for the foreseeable future. It is worthwhile meeting with village managers and senior staff to estimate compatibility and commitment
- C. *What* *title* *is* *being* *offered?*
A variety of occupational rights are offered ranging from unit titles, registered leases to occupational licences, the latter being the most common. It is widely held view that almost all villages should be issuing a prospectus under the Securities Act 1978 on the basis that what is being offered is a financial security. The prospectus and investment statement will contain much information of value to those enquiring about the village. It is extremely important to understand the nature of the security being offered and the rights of occupancy pertaining to the security.
- D. *Where* *to* *after* *independent* *living?*
The ideal retirement village should provide for independent living through to serviced apartments and on to 24 hour care. Some villages provide for full time or extended care off premises. Those that provide independent living serviced apartments and full care on premises provide an advantage to couples enabling an invalid spouse to be visited with ease. Remember though that chronic ailments such as heart disease and Alzheimers often have to be catered for elsewhere.
- E. *Charges*
It is important to understand what is being paid for. A likely scenario is that an applicant

will pay a sum of money for the unit together with a further sum often up to 20% of the purchase price for a facilities fee which is amortised back over say a period of 5 years at 12½% per annum. The facilities fee is a payment made for the use of common areas such as recreational, dining and health facilities

In the addition to the facilities fee there will be a weekly payment payable for service charges for a contribution to community outgoings and rates in respect of the unit currently around \$78 per week for independent living and up to \$180 for service apartments including laundry.

On termination there will be payable an administrator's fee to cover the cost of sale of the unit which may be approximately 2% of the sale price. Occupants will be expected to meet the weekly services charges until the unit is sold, whether or not they have moved to a serviced apartment or 24 hour care where additional charges will also accrue.

In almost all cases on termination, the developer will have the right to refurbish the unit to an as new condition the cost of which will be deducted from the sale price. Enquiries should be made as to the basis upon which these costs are ascertained. It would be preferable to cap the amount payable or at least to understand the procedure adopted. Often a quantity surveyor is asked to give an assessment of the amount required and the cost of same which will be the amount that will be deducted from the sale price.

Meals at the community centre are additional and usually billed on a monthly basis.

Some contracts provide for the owner on termination to receive a percentage of any profit but this option usually necessitates the payment of an additional charge at the outset.

F. *When are community facilities to be built?*

In a new development the developers often plan to erect the community facilities when sufficient independent units and serviced apartments have been sold to support the community facilities. It is important to understand what community facilities are in place at the time of entry or what commitment is being given to build the remainder.

G. *Talk to the residents*

Those looking seriously at any particular village should either talk with friends who have taken up residence or try and talk to residents to ascertain their general satisfaction as to the running of the village. There should be a residents committee in place and a procedure laid down for resolving disputes.

H. *Lifestyle*

While every effort should be made to ensure that the move into a retirement village is a finite shift of residence, it should not be assumed that the time spent in the village will be of short duration. Even developers have had to recast their projections based on the extended lives of those who have enjoyed the physical and medical security that a well organised retirement village can provide

I. *Document complexity*

The documents required to be entered into vary from village to village and do not compare with a basic real estate transaction.

Retirement Villages Association of New Zealand Inc (RVA)

RVA has played an important role in the orderly development of the retirement villages industry. For those seeking information concerning RVA or more information on the industry in general we commend you visit the RVA website:

www.retirementvillages.org.nz