



BEGINNER'S
GUIDE
**Retirement
Villages**



Franklin Law

Protecting what is important to you

Introduction

Buying into a retirement village is different from buying a house. Villages vary in their accommodation, support, management, legal and financial structures. You need to ensure that you obtain all the information available on these matters before committing to a very big lifestyle change and financial commitment.

By law, a retirement village must make certain information available to all intending residents. This information is contained in a village's disclosure statement, and you should read this document carefully. You shouldn't rely just on the village disclosure statement, however. Talk to as many people as possible about the benefits/disadvantages of retirement village living and research as widely as possible.

This brochure is not an attempt to replace comprehensive and personalised legal advice. Before committing to any retirement village, we strongly urge you to speak to us first.

What are the different types of Retirement Villages?

Different retirement villages offer different legal structures as the basis for your right to occupy a unit. It's important that you choose a village which offers an ownership structure which is right for you. In New Zealand, retirement villages offer the following legal structures to residents.

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 the unit, though some villages may offer this option.

Unit Title - In a village with a unit title structure, you own your own unit title.

Cross Lease - If you have a crosslease, you share ownership of the land and its units, and grant leases to one another to live there. Cross Lease retirement villages are quite rare these days, but some still exist.

What are the costs?

There are 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. This information will be provided to you in a village's disclosure statement.

Costs when you enter - As a new resident you will pay a capital sum when entering a village as the entry price.

Typically up to 30% of the entry price includes what is known as a "fixed deduction" or "deferred management fee" (although different villages will use different terminology).

This fixed deduction accrues (or amortises depending on how the village has structured this payment) over the first 3 to 5 years following your entry into a village and will be deducted (or partially refunded) at the end of the occupation right agreement when the village makes your exit payment. Typically a village will pay the exit payment on the sale of your unit to a new resident.

Costs while you are living in the village - While you are living in the village, you will pay regular fees. These cover general outgoings such as rates, insurance and other operating costs. Some villages include a greater range of services in their fees or offer various personal care packages. Others leave it to you to choose to pay for the services you want or need. Make sure you also find out whether the village has a premium for these services, or whether they just recover their costs.

What is a Statutory Supervisor?

All villages must have a statutory supervisor unless exempted. The statutory supervisor is an independent individual or company appointed by the operator.

The statutory supervisor's role is to:

- Make sure the village is run properly
- Listen to your complaints
- Report on the activities at the annual general meeting
- Stop advertisements for the village if they are not correct

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Cooling Off Period

Any deposit you make to the village passes to the statutory supervisor to be held in a trust account on your behalf. The operator will receive your money only after the cooling off period has expired. During the cooling off period, which is a minimum of 15 days, you can cancel the contract and get your money back.

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Getting Professional Advice

You are legally required to get independent legal advice before signing an occupation right agreement.

At Franklin Law, we can explain the occupation right agreement to you in a way that is appropriate and easy to understand.



For more information on
Retirement Villages
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