

What am I Buying When I Purchase a Home in a Retirement Village?

When you buy into a village, you enter a contract to live in the village. You do not buy the house itself. This is because, unlike normal property development, you are also contracting with the village builder to stay on and operate the village for the next 30-plus years and to, in effect, look after you and your home as you age.

They also have to provide expensive community centres, big gardens, swimming pools and still make the price of the village home affordable to the market. Their solution is not to sell the title to the home but to hold it for themselves, which is their security. If they sold the title to the home, they would have to pay back the bank that provided the finance to build the village and move on. To cover the title issue, the industry (including nearly all charities) has developed the 'loan / lease' or 'loan / licence' system - where you rent or lease the home. The 'Loan / Licence' and the 'Lease / Licence' systems have been developed over 30 years to make village communities more affordable and generous in their facilities.

Typically, half the cost of building a village is the homes and half is the community facilities. Literally buying your village home would mean you would have to pay for a proportion of all the facilities - the swimming pools, community centres, road systems and so on. Clearly, 'buying' rather than 'leasing' would cost twice as much.

The attraction of village communities, moreover, is that the operator stays in place as you age and is responsible for both maintaining the village and keeping a watchful eye on you, the resident. The operator's incentive to stay is their continued ownership of the village.

The alternative to this system is the gated community or apartment building where residents manage affairs under a body corporate system. Given that residents are ageing and increasingly vulnerable, this system could easily break down over time, with the best interests of everybody likely to be eroded. Another major benefit is that villages operate under the Retirement Villages Act in every state. This gives residents considerable legislative reassurance that their affairs and welfare are the first priority of the operator. This is lacking from all the alternatives.

What are the costs?

There are two costs to living in a village. The first is a weekly levy, which is your portion of the operational costs or day-to-day expenses of running the village. This covers everything from the electricity to run the street lights, maintenance of the gardens and pool, the village manager's wage and so on. Weekly levies range between \$50 and \$150 per week or more - the cost can be kept low because it is spread across all residents and villages are designed carefully to keep maintenance down. Under the Retirement Villages Act, residents have input into what expenses will be incurred by the village. Law dictates that most expenses should not increase by more than the CPI. The benefit is that you know what your weekly expenses are going to be in advance, not only for the next 12 months but well into the distant future.

The second cost of living in a village community is the Deferred Management Fee (DMF). This is paid when you depart the village so it does not affect your weekly budget. The DMF is a form of rent that is deducted from the lump sum you paid when you entered the village.

At Hume Retirement Resort our DMF is calculated at 9% of the resale price for the first year and 3% of the resale price for subsequent years with a maximum of 33% of the resale price after 9 years.

We suggest you go to the NSW Fair Trading website, access their Retirement Village Calculator and put in the figures we have provided for you.

We think you'll be pleasantly surprised at just how reasonable the annual/monthly/weekly cost of living in our luxury homes and brilliant village community really is.

What about capital gain?

At Hume Retirement Resort we allow you to keep 100% of any capital gain. Naturally the longer you are in residence the more capital gain you accrue which adds to the argument that a move to our Village in your late fifties or early sixties will not only provide you with a great lifestyle, but it would also be a sound financial strategy.

Is this a financially sound deal?

You have to make up your own mind, but the factors to consider are:

- Often the family home can be sold for more than the cost of a new village home therefore releasing cash to better enjoy your later years and pay for medical support as you get older.
- Most family homes are ageing as well. Many people find a new village home offers a better living environment, a new kitchen, entry from the garage, connections to the Internet - things they may not have had previously.
- Most family homes increasingly demand maintenance as they age, often beyond the physical ability of older owners and requiring significant funds.
- Few family homes are designed to be safe for ageing people. Steps, uneven surfaces, upstairs bedrooms and long or steep driveways can be very dangerous.
- The reality of ageing, especially for couples, entails health considerations. One partner's health usually declines first with the other becoming the carer. Will the family home be suitable i.e. can doors be widened and bathrooms adapted for a walking frame? Is help and companionship close by?
- Equally important is planning for the remaining partner. Will they have companionship and support or will they be isolated and disconnected from the community?

In the end, what is the true measure of 'quality of life' in your later years? Is it the money, which you can pass on to your estate, or is it other things like security and companionship?

And this is what the research says -

Both Australian and international research consistently tells us that people who live in a village community enjoy a higher quality of life and live considerably longer than people who remain in their family home. The main contributors can be summarised as companionship and a safe, planned environment. Nearly every resident of a village community will also offer the advice that it is better to make the move earlier rather than later. It is easier to deal with the process of selling up and moving and it gives more time to build relationships within the village. They also add you never know what is just around the corner.

To discuss the opportunities provided at Hume Retirement Resort contact Kelvin Gilder, Sales Manager, on (02) 60258409 or email sales@humeretirementresort.com.au