

# INFORMATION FOR PROSPECTIVE RETIREMENT VILLAGE RESIDENTS



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## A CASE STUDY

My spouse and I saw it as a great opportunity to get away from a large house, with too much area to comfortably cope with without assistance. We only looked at one village, this was a situation fraught with a possible adverse outcome – (as it turned out we were reasonably fortunate).

When considering moving into a retirement village, make a list of what **you** are looking for in going into a village e.g.:

- Is there a twenty four hour medical assistance on call, either on site or nurse-on-call?
- Is it close to a shopping centre; can I walk there?
- Is it close to public transport?
- Is the village not too hilly?
- Is it near where you used to live?
- Is it near friends and family?
- Is it close to major hospital for medical emergencies?

Don't leave it too late to enjoy your retirement life. RRVV's experience from speaking with other residents is that it's too late if you or your partner is incapacitated or ill, when you move in, for you to obtain the full enjoyment that you expect.

Always have a solicitor and/or financial adviser check you contract, remembering that our members believe that few solicitors have the legal expertise or knowledge in this specialised area of retirement villages to provide the right support and advice.

### What you'll find inside...

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### A CASE STUDY cont'd...

Don't do what we did, or you may make a very poor decision; we *were fortunate*:

- In our situation it was a new village and it has great facilities.
- The village life is enjoyable, as there was/is an excellent social convener.
- There are many activities for residents, reiki, tai-chi, line dancing, folk art, painting, bingo, craft group, gymnasium exercise classes, dancing, choir, table tennis, bridge, indoor / outdoor bowling, games nights, dinner entertainment nights, pool, and snooker.
- Your monthly service fee/maintenance fee covers **your** contribution to the running of the village including the community centre & all the associated expenses, gardening, lawn mowing, wages of the village staff and an 8% - 12% contribution to the future long term maintenance and/or replacement of all the village buildings etc.
- We believed we were buying our unit as we had a "joint deed of ownership" i.e. a registration against the lease and the joint title of the land on which our unit was built.
- We were only loaning the company the money outlaid for the unit.
- We had a 49 year lease to occupy the unit for \$1.00/year.
- Great facilities.
- *Beware of an "older village"*, are the footpaths even, because if you have difficulty walking, little obstacles can become big obstacles, and could cause you to injure yourself.

Remember the Retirement Village Association (RVA now merged with The Property Council of Australia) represent the interests of the Operator/Owners and their interests, not retirees as they tend to portray.

- Residents of Retirement Villages Victoria Inc. (RRVV) represents the interest of residents of retirement villages at all levels of Government and associated organisations.
- You can join RRVV until you move into a village, as an associate member with (non-voting rights); Go to our website [www.rvv.org.au](http://www.rvv.org.au) to assist you in your search.

## INFORMATION FOR PROSPECTIVE RETIREMENT VILLAGE RESIDENTS

### POSSIBLE DISADVANTAGES

- Ours was a “new” village.
- The Manager was probably hand-picked by the owners.
- The monthly fee was at a honeymoon rate and increased dramatically once the village was completed.
- He gathered a group of “early arrivals” into the village around him.
- He ensured that they had no problems.
- He invited them on to the first committee.
- He was always going to “look into” problems raised by any other residents & never did until we took our complaints re the outstanding construction and building faults (incorrectly referred to as maintenance issues) to Consumer Affairs Victoria (CAV).
- Always put your requests/complaints to the Village Manager in writing.
- Complain to the Consumer Affairs Victoria (CAV) if you are getting “the run around”. Ask once, and if you ask a second time without a solution to your problem contact Consumer Affairs (CAV).
- We were provided with misinformation by the Sales Staff, e.g. “you don’t have to do anything when you move in, we do it all for you!” **(Translated – Meaning we do it at your expense, you are paying for it!).**
- **Everything is paid for by each resident in their service fee (also known as a maintenance fee), including the staff wages and expenses (i.e. the manager, nurse, office administration person, gardener/maintenance person), maintenance of all the common areas e.g. the community centre, swimming pool, bowling green, golf course (if there is one) grass mowing, road maintenance. Including an 8% - 12% contribution to the future long term maintenance of the entire village etc.**
- **Remember the more facilities i.e. golf course, bowling green, mini golf course, workshop, etc., the higher your maintenance fee (or as it is sometimes called service fee).**
- You may have to pay, separately to your service fee, for all repairs and maintenance inside your unit/villa, [check your contract] as this may not be included in the service fee (i.e. any repainting or repairs or replacement of anything inside your unit/villa, e.g. stove, dishwasher, microwave, leaking tap, roller door repair etc.).

## INFORMATION FOR PROSPECTIVE RETIREMENT VILLAGE RESIDENTS

### POSSIBLE DISADVANTAGES cont'd...

- When looking and considering moving into a retirement village take your time, look at many villages and the village types, ask many questions, where possible record your conversations on a checklist (refer Attachment A) with the operator, sales or marketing persons or manager, and ask them to sign what you have written and keep them, and any Product Disclosure Statements (PDS) or brochures for future reference to make sure your solicitor/financial advisor receives copies of them all from you with your instruction to Her/ Him to check the Contract BEFORE you sign it, to ensure that all the things promised by the operator's sales and marketing people have been added or included in the contract.

***MOST IMPORTANT, REMEMBER: CAVEAT EMPTOR (BUYER BEWARE)***

### HELPFUL CONTACTS

#### **To assist you when considering moving into a Retirement Village:**

Where you can obtain information when considering living in a retirement village, if you have a problem with Elder abuse (either yourself or someone you know) that could need assistance, or if you need to know where to find Financial or Consumer Rights information/advice when you are considering doing so.

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Contact COTA's Seniors Information Victoria (SIV) and you will find that the SIV team have a wealth of information. Ask for a copy Consumer Affairs "Guide to Choosing and Living in a retirement village" before deciding if a retirement village is right for you to ensure you make the "right" decision.

Seniors Information Victoria (SIV)  
COTA Victoria  
Lift 3, Fourth floor  
98 Elizabeth Street  
Melbourne Victoria 3000 (if you are in the city)  
Phone: 1300 135 090  
Email: [askcota@cotavic.org.au](mailto:askcota@cotavic.org.au)  
Website: [www.cotavic.org.au](http://www.cotavic.org.au)

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GPO Box 215  
Melbourne Victoria 3001  
Phone: (03) 9015 8402  
Email: [rrvv.vic@gmail.com](mailto:rrvv.vic@gmail.com)  
Website: [www.rrvv.org.au](http://www.rrvv.org.au)

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Contact Consumer Affairs Victoria (CAV) tell them that you are considering moving into a retirement village and would appreciate advice to help you make a proper decision and their friendly Customer Service Team will provide you with a wealth of information to assist your decision, when contacting:

121 Exhibition Street  
Melbourne Victoria 3000  
Mail address: GPO Box 123  
Melbourne Victoria 3001  
Phone: 1300 55 81 81  
Email: [www.consumer.vic.gov.au](http://www.consumer.vic.gov.au)

Consumer Affairs Victoria has information booklets for you to examine to help you decide is village living "right for you" – ask for a copy of these booklets:

#### **Retirement Villages**

- **Guide to choosing and living in a retirement village**
- **Guide to owners corporations**

## INFORMATION FOR PROSPECTIVE RETIREMENT VILLAGE RESIDENTS

- A list of retirement villages, locations and details.

### HELPFUL CONTACTS cont'd...

Contact Housing for the Aged Action Group (HAAG) tell them that you are considering moving into a rental or not for profit Auspiced village (i.e. Catholic, Salvation Army, Uniting Care or other religion) and would appreciate advice to help you make a proper decision and Jeff Fiedler and his friendly Customer Service Team will provide you with a wealth of information to assist you in your decision making - contact:

Housing for the Aged Action Group  
ABN: 80 348 538 001, Reg: A0017107L  
2nd Floor, Ross House  
247-251 Flinders Lane  
Melbourne 3000  
Phone: 9654 7389  
Country: 1800 637 389  
Fax: 9654 3407  
Email: [hag@oldertenants.org.au](mailto:hag@oldertenants.org.au)  
Website: [www.oldertenants.org.au](http://www.oldertenants.org.au)

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Possible useful contact if you are looking for an agent to compare villages:

Celestine Eramo  
Aurora Senior Lifestyles – ***Selling Retirement Living!***  
ASL – Australian Sales and Leasing  
Suite 2, 857-859 Doncaster Road  
Doncaster East Vic 3109  
Phone: 1300 765 788  
Mobile: 0408 111 383  
Fax: (03) 9841 9990  
Email: [Celestine@aslrealestate.com.au](mailto:Celestine@aslrealestate.com.au)  
Website: [www.aslrealestate.com.au](http://www.aslrealestate.com.au)

### INSPECTING A PROSPECTIVE VILLAGE

Make sure you prepare a checklist before commencing to see if village life is for you. When speaking with sales or marketing people promoting a village **always** ask for everything they say in writing **(to provide to your solicitor/financial advisor to ensure that it is detailed in your Contract before signing, or to refer to at a later date)**. **Make sure you keep the written material in a safe place and that your family have a copy.**

#### What to check when looking before selecting a village

When you go to a village, stop one or two of the residents you see, or knock on a few villa doors **(when you are on your own and not with the manager of the village)** and say:

- “Hello, my name is Jack and I’m interested in moving in here! What’s it like to live here in this village?”
- “Do you have pleasant capable manager(s)?”
- “Are the Owners Corporation (OC), Committee of Management (COM) or Residents Association helpful and do they control the village expenses to ensure a balanced budget and provide support to their residents?”
- “Are there deferred management fees?”
- “Is the village full completed?” If it isn’t, ask the operator when it will be i.e. a date?
- “What happens if it’s not completed in the time you have said?”
- “What facilities are available?”
- “Have the service fees gone up much, and are you satisfied/ happy with them?”
- “Have any changes been made for things that you didn’t have to pay for before?”
- “How’s the harmony in the village?”
- “Does the village have a bus?” (If you are a driver it may not seem important, but later on you may not have a licence or be able to drive).
- “Are the villas wheelchair friendly i.e. are the doorways wide enough for a wheelchair?”
- “Is the villa all on the same level without steps to impede the use of a wheelchair?”
- If there are stairs, this could be a major problem for you to negotiate as you age i.e. difficulty walking or if you require the use of a walking frame in the future.
- “If you become ill is there a 24 hour call button to call for nursing or medical assistance?”
- “Does the village have an internal dispute resolution procedure?”

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### INSPECTING A PROSPECTIVE VILLAGE cont'd...

**OR** When you have inspected a village as a further check, contact RRVV and ask us do we have a resident member that you could speak to in the village you are considering, that you could contact and speak to regarding the operation of the village, the types of activities, how active the social committee is and how “friendly is the village”.

- Ask the contact about the performance of the village manager, is he/she approachable and does any request for assistance be dealt with courteously, reliably and promptly.
- **Make sure that you are not stampeded into making a hasty decision.**
- **Once you move in the financial penalties, if you want to move out, may preclude you from being able to do so, as you may then not have enough money to move to alternative accommodation.**
- Ensure that you take your time and look at many villages and types of villages.
- Be aware of the different types of villages (See Attachment A).

Make sure that when you have your solicitor check your contract that what the Operator/Promoters say verbally, and in writing prior to signing your contract, is covered in your contract, because in many retirement village contracts the following clause is included:

***“This Deed constitutes the entire agreement of the parties about the subject matter of this Deed and any previous agreements, understandings and negotiations on that subject matter cease to have any effect on the execution of this Deed”.***

**Again be reminded – Take your time and don’t be stampeded into a hasty decision. Read your contract carefully, before you sign it (or ensure your solicitor does on your behalf) and if any details discussed with any of the Operator’s personnel, your Essential Disclosure Checklist you have prepared (Attachment A), or detailed in the Product Disclosure Statements (PDS) or brochures is not mentioned in your contract, make sure that your solicitor is aware of any of these and ask him/her to show you that that they have been added and are included (as additions to the contract before signing, because our members advise us that there is limited number of legal people who fully understand the complex contracts, as they discovered to their detriment after moving into the village).**

***RRVV urges you to follow these guidelines, to make sure your move into a retirement village is a success***

## INFORMATION FOR PROSPECTIVE RETIREMENT VILLAGE RESIDENTS

### BUYER CHECKLIST

Remember when you “buy in” to a retirement village:

#### *In the case of a Loan Lease Village:*

- It is not a capital investment you are making (you probably will not make a profit when you move out)!
- Most probably, and it is certainly unlikely, that you will make any profit out of your stay in the village; most probably a loss.
- It is investment in a lifestyle, at a cost or expense to you for the privilege!

#### *In the case of a Freehold Village:*

- It is a capital investment you are making.
- The downside from our member’s experience is less likely cause you a financial loss as is the case of a loan lease village, although if there is a Deferred Management Fee (DMF) this can be costly (make sure that you understand if there is a DMF, what this will mean to you when you move out (refer to Attachment B)).

#### **Buyer Checklist**

- Sight the Owners Corporation Certificate, which should include information about total fees, allocation of lot liability and any legal liabilities.
- Ask, what is the weekly cost of living in the property?
- Find out if there are any leases or licences of common property.
- Check the boundaries of the lot/unit for sale and common property, and the location of any easements, in the plan of subdivision.
- Review the unit’s contents and conditions in the Contract of Sale.
- Familiarise yourself with the Owners Corporation Rules.

If you are unsure of any matter regarding your decision to move into an Owners Corporation Village contact **Consumer Affairs Victoria (CAV)** and ask for a copy of “Owning, Managing and Living in a Unit or Apartment: Guide to Owners Corporations” or **Seniors Information Victoria (SIV)** (these contact details are on page 5 of this document).

### MOVING OUT OF YOUR RETIREMENT VILLAGE

- Make sure that you know what happens when you want to move out, ensure your solicitor explains this to you and your family.
- Finally make sure your family are **fully aware** of the exit method when you are leaving a village.
- If there is a Deferred Management Fee (DMF), (or loan interest fee) and this could vary depending on the time you have lived in the village (e.g. 6% for 5 years and there are many other variations of this).
- There most probably will be a refurbishment cost, (this can be somewhere between \$5,000 to \$15,000) and will be deducted from the price you receive for your unit when exiting, either to move out of the village and relocate to a new place of living (e.g. another retirement village, low or high care) or because you have passed on.
- These exit fees are the most important item to clearly understand and depending on the contract, can result in an exit fee greater than \$100,000 depending on the number of years you live in the village before leaving.

An example: If you pay \$380,000 to enter your village and you live in it for greater than five years. If the DMF is 6% p.a. for five years, when you leave you will be charged 30% of either your ingoing expense/contribution or the selling price (depending on your contract) and an agent's fee of 2.5% i.e. an amount of \$123,500 plus a refurbishment expense of say \$10,000. Meaning you will lose a total of \$133,500 as an exit fee (more if the ingoing contribution is greater than in our example).

### CONCLUSION

#### **In conclusion, good luck!**

Do your search and research carefully and thoroughly, take your time and don't be stampeded into a hasty decision, and you will as the result, enjoy your retirement lifestyle living, if you decide that it is the lifestyle for you.

These guidelines presented with compliments from Residents of Retirement Villages Victoria Inc.



# Attachment A

**ESSENTIAL DISCLOSURE CHECK LIST FOR SELF-FUNDED RETIREMENT VILLAGES**  
with zero inflation and zero capital gain.

*This document must be handed to your solicitor & or your Financial Advisor to ensure this & any other information provided to you is included in your Contract before signing it.*

1. **Type of village:**

Company Share-holding       Lease       Loan/Licence       Strata Title       Rental

2. What loan/price/charge/ is required to enter the proposed lease/license/title of unit?

\$ \_\_\_\_\_

3. What is the annual service (or Maintenance) fee?

\$ \_\_\_\_\_

4. What is the sinking fund, "capital improvement fund" or equivalent charge payable if a resident moves out the day after he/she moves in?

\$ \_\_\_\_\_

5. What is the sinking fund charge payable if a resident moves out one year and one day after he she/ moves in?

\$ \_\_\_\_\_

6. What is the sinking fund charge payable if a resident moves out 10 years and one day after he moves in?

\$ \_\_\_\_\_

7. If the sinking fund accrues pro-rata what is the rate per annum?

\$ \_\_\_\_\_

8. What is the average refurbishment cost for the last 10 units the owner has refurbished?

\$ \_\_\_\_\_

Please provide copies of all bills for last 3 refurbished units.      Yes

9. What is the sum of all current legal fees to contract a loan lease?

\$ \_\_\_\_\_

10. What is the sum of all the current legal fees to end a contract?

\$ \_\_\_\_\_

How much commission does the owner receive if the lessee sells thru an outside agent?

\$ \_\_\_\_\_

Do I receive capital appreciation? How does this work is it sale price minus purchase price? If not please provide full details and an example.      Yes

11. Are there any other service, entry or exit costs what so ever either on the entry contribution or sale price on exit, if so please provide the complete information in detail?      Yes       No

e.g. Deferred Management Fee (DMF) \_\_\_\_\_% over \_\_\_\_\_ Years i.e. Total %age of \_\_\_\_\_

Excel spread sheet provided (refer Attachment B as an example layout)      Yes       No

12. Is it possible for the village to be sold and the new owners to convince residents to increase fees by 100%?      Yes       No

13. What is the current number of units occupied in the village? \_\_\_\_\_
14. How many vacant units in the village? \_\_\_\_\_
15. If the village is not yet complete how many more units are planned to complete it? \_\_\_\_\_  
**since this cannot be guaranteed**, will the village operator provide an insured guarantee that any lessee offering a loan and signing a contract based on this document will be not be obliged to pay any increase in any fee as a direct or indirect result of the resultant deficit? Attach copy of the insurance policy. Yes

Financial Year	No of <b>occupied</b> Residences on Jan 1 <sup>st</sup> .	Budget for year	Actual operating cost for year	Annual surplus or deficit
Previous 2009				
Previous 2010				
Last 2011				

Copies of above 3 annual operating cost statements must be certified, signed by authorized legal officer and attached.

_____	_____	_____
Authorised Village Legal Officer, business card attached. <input type="checkbox"/>	Witness	Date

Village Developer, Owner, Operators will claim these questions are too intrusive but experience shows that many residents payout large sums without knowing all the above and are then forced to suffer substantial fee increases, say 50% because the fees were initially set to attract residents, the village found to be operating at a 40% deficit, so the resident were coerced into a paying the difference. Emotional costs when combined with penalty exit costs will make it prohibitive to move out.

**Ensure your solicitor is provided with an authorised completed copy of this disclosure statement and shows you where they have been included in your contract before signing it; if a Company will not provide all this information and will not have a legally authorized officer sign below for you, ask yourself the question - is this village for you?**

# ATTACHMENT B

Deferred Management Fee of 6% used.										
Ingoing contribution	Yearly Cost After year 1	Yearly Cost After year 2	Yearly Cost After year 3	Yearly Cost After year 4	Yearly Cost After year 5	Yearly Cost After year 6	Yearly Cost After year 7	Yearly Cost After year 8	Yearly Cost After year 9	Yearly Cost There after
280,000	16,800	33,600	50,400	67,200	84,000	100,800	117,600	134,400	134,400	134,400
300,000	18,000	36,000	54,000	72,000	90,000	108,000	126,000	144,000	144,000	144,000
380,000	22,800	45,600	68,400	91,200	114,000	136,800	159,600	182,400	182,400	182,400
480,000	28,800	57,600	86,400	115,200	144,000	172,800	201,600	230,400	230,400	230,400
500,000	30,000	60,000	90,000	120,000	150,000	180,000	210,000	240,000	240,000	240,000

Yearly Occupancy Cost = (Deferred Management Fee (DMF) Plus Estimated Monthly Service / Maintenance Fee)										
NOTE: That only the yearly service fee is actually physically paid monthly. The DMF is a cost that is incurred when vacating the unit.										
NOTE: The yearly service fee does not include electricity and gas used by each individual unit.										
Ingoing contribution	Yearly Cost During Year 1	Yearly Cost During Year 2	Yearly Cost During Year 3	Yearly Cost During Year 4	Yearly Cost During Year 5	Yearly Cost During Year 6	Yearly Cost During Year 7	Yearly Cost During Year 8	Yearly Cost During Year 9	Yearly Cost There After
280,000	20,880	37,843	54,813	71,789	88,773	105,764	122,763	139,769	139,984	140,207
300,000	22,080	40,243	58,413	76,589	94,773	112,964	131,163	149,369	149,584	149,807
380,000	26,880	49,843	72,813	95,789	118,773	141,764	164,763	187,769	187,984	188,207
480,000	32,880	61,843	90,813	119,789	148,773	177,764	206,763	235,769	235,984	236,207
500,000	34,080	64,243	94,413	124,589	154,773	184,964	215,163	245,369	245,584	245,807
600,000	40,080	76,243	112,413	148,589	184,773	220,964	257,163	293,369	293,584	293,807
700,000	46,080	88,243	130,413	172,589	214,773	256,964	299,163	341,369	341,584	341,807
800,000	52,080	100,243	148,413	196,589	244,773	292,964	341,163	389,369	389,584	389,807
900,000	58,080	112,243	166,413	220,589	274,773	328,964	383,163	437,369	437,584	437,807
1,000,000	64,080	124,243	184,413	244,589	304,773	364,964	425,163	485,369	485,584	485,807
1,100,000	70,080	136,243	202,413	268,589	334,773	400,964	467,163	533,369	533,584	533,807
1,200,000	76,080	148,243	220,413	292,589	364,773	436,964	509,163	581,369	581,584	581,807
1,300,000	82,080	160,243	238,413	316,589	394,773	472,964	551,163	629,369	629,584	629,807
1,400,000	88,080	172,243	256,413	340,589	424,773	508,964	593,163	677,369	677,584	677,807