

Retirement Villages

An Option for Retired People

Retirement villages are complexes of residential units or a number of separate complexes of residential units on common land. Retirement villages are regulated under the *Retirement Villages Act 1987* and the *Retirement Villages Regulations 2002*.¹ The *Retirement Villages Act 1987* defines a Retirement Village Scheme as one that is established predominantly for retired persons and their spouses, under which:

- ◆ residential units are occupied under a lease or license; or
- ◆ the right to occupation is conferred by ownership of shares; or
- ◆ residential units are purchased from the administering authority, subject to a right or option of repurchase; or
- ◆ residential units are purchased by prospective residents on conditions restricting their subsequent disposal.²

A 'retired person' is defined by the Act as being over 55 years and no longer in full time employment.³ Retirement villages cater for people who are able to live independently, however in some villages personal care and support services can be purchased for a fee. Advantages of living in a retirement village can include: maintenance of gardens and property, access to communal facilities and activities, 24 hour emergency call system, and living close to people of the same age group.

There are 325 retirement villages in South Australia, of which 239 are 'for profit' and 86 are 'not-for-profit'.⁵ As retirement villages do not receive government funding and are not required to be registered, the above figures may not be complete.⁶ There are three categories of retirement village accommodation: Resident Funded Units, Entry Contribution Units and Serviced Apartments.⁷

Some villages offer both independent living and serviced apartments, as well as low and high-care accommodation. This means that those villages operate under three or four different Acts.⁴ However, in most cases people that live in a retirement village close to low and high-care accommodation do not have priority access to such facilities, should they need them in the future.

SNAPSHOT 9

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Shelter SA
Housing: a basic human right

Retirement Villages

Types of Retirement Villages

Resident Funded Units

- ◆ Resident funded units are sold at market value. The resident does not own the unit but purchases a loan/licence agreement with their 'entry contribution' which in effect gives the administration of the village an interest free loan and the resident a licence to reside in the village.
- ◆ When the resident leaves a village they are entitled to a return on the entry contribution (also known as a premium), based on the arrangements in the original resident contract. The amount returned may be the current market rate or the amount paid at the time of entering the unit, less any deferred fees as stipulated in the contract. As a general rule, the deduction of the deferred fees results in the amount initially paid as the entry contribution being significantly reduced at final settlement, even though the market value of the unit may have increased.⁸
- ◆ The cost of purchasing the loan licence ranges from \$70,000 to \$500,000.
- ◆ A weekly maintenance fee is also paid by the resident to cover the cost of services provided by the village, such as upkeep of common areas, rates and water, building insurance, security, and services such as a village bus. The fee ranges from \$45 – \$115 per week.
- ◆ General household expenses, such as telephone, electricity and contents insurance remain the responsibility of the resident.⁹

Entry Contribution Units

- ◆ Entry Contribution units are offered by non-profit organisations and churches. These can suit people with limited assets or those who wish to have capital remaining after selling their home.
- ◆ The organisations require an entry contribution, ranging from \$18,000 to \$60,000, in exchange for the right to occupy a unit. In most cases this is not refunded when the resident vacates the unit. On occasions the entry contribution may be determined by an individual's financial situation.
- ◆ A weekly maintenance fee is also paid by the resident, which ranges from \$24 to \$146 for services such as upkeep of common areas, rates and water, building insurance, security, and services such as a village bus.
- ◆ General household expenses, such as telephone, electricity and contents insurance remain the responsibility of the resident.¹⁰

Serviced Apartments

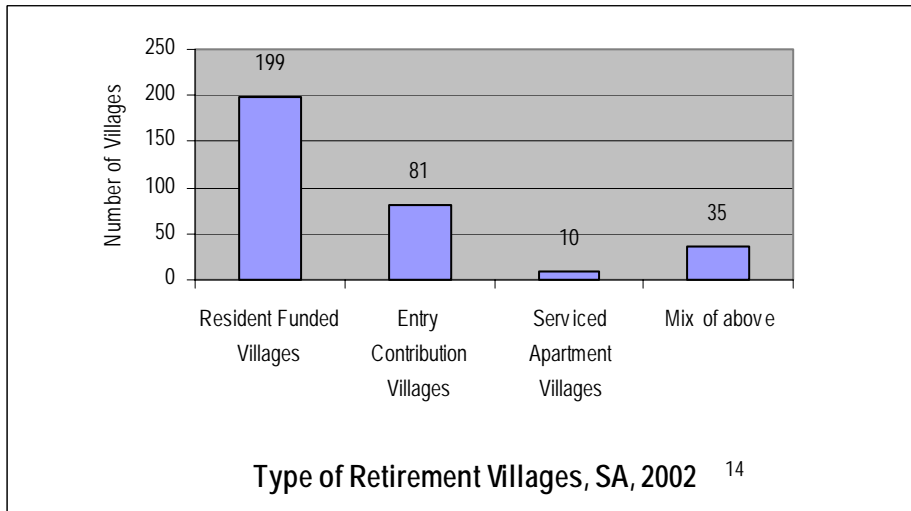
- ◆ Serviced apartments are similar to resident funded units, but provide services such as laundering of linen, meals and cleaning. Extra services such as assistance with showering and personal laundry are sometimes available at an additional cost.
- ◆ Serviced apartments are usually bedsitters or small one bedroom units. The entry contribution for serviced apartments ranges from \$50,000 to \$350,000.
- ◆ The service/maintenance fee ranges from \$170 - \$350 (for 2 people), or is sometimes charged as 85% of the pension plus rent assistance.¹¹

Note: With all types of retirement villages the licence that is purchased is not transferable and money cannot be borrowed against the property.¹²

Retirement Villages

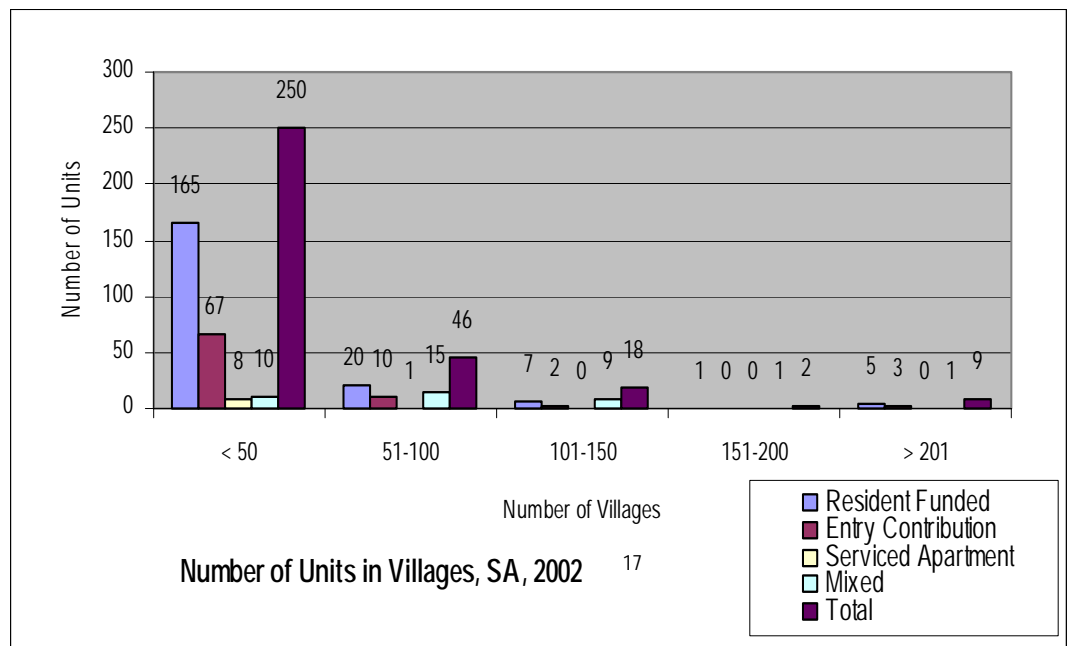
Number of People Living in Retirement Villages

There are approximately 325 retirement villages in South Australia, operated by 124 companies/organisations.¹³ (Retirement villages are not required to be registered, therefore this may not represent all retirement villages.)



- ◆ The majority of retirement villages are resident funded (61%).
- ◆ 25% of retirement villages are 'entry contribution' villages.
- ◆ 3% are 'serviced apartment villages'.
- ◆ 11% have a mix of resident funded/entry contribution and/or serviced apartments.¹⁵

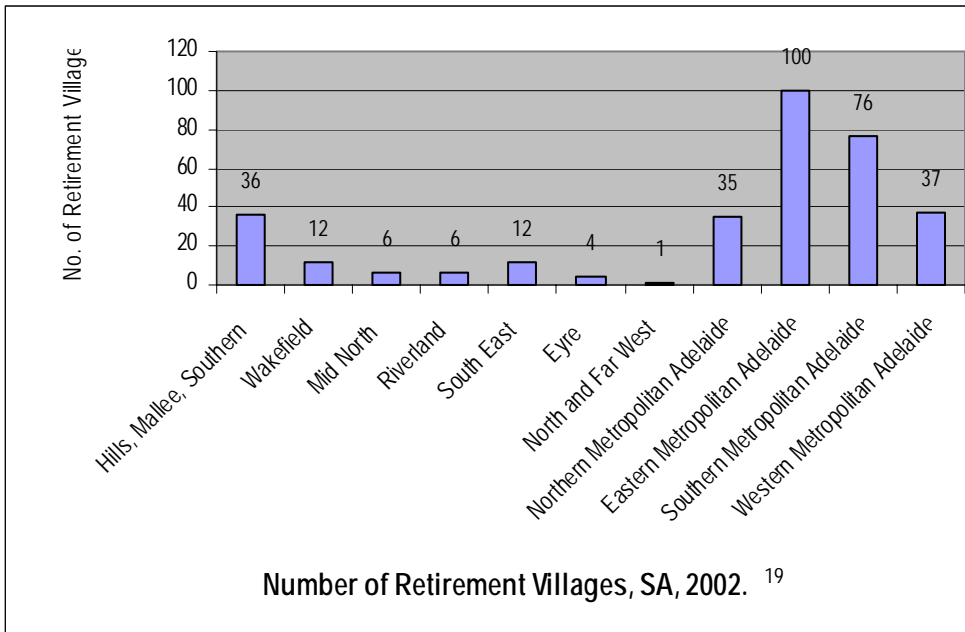
- ◆ 77% of retirement villages have less than 50 units.
- ◆ 14% have 51-100 units.
- ◆ 5.5% have 151-200 units.
- ◆ 3.5% have over 151 units.¹⁶



- ◆ Number of Independent Living Units in resident funded/ entry contribution retirement villages = 10,791.
- ◆ Number of Serviced Apartments = 1,021.
- ◆ Assuming 70% of all units (i.e. 8,210) are occupied by one person only and the remaining 30% (3,518) of units are occupied by two people, it is estimated that the number of people living in retirement villages is 15,250.¹⁸

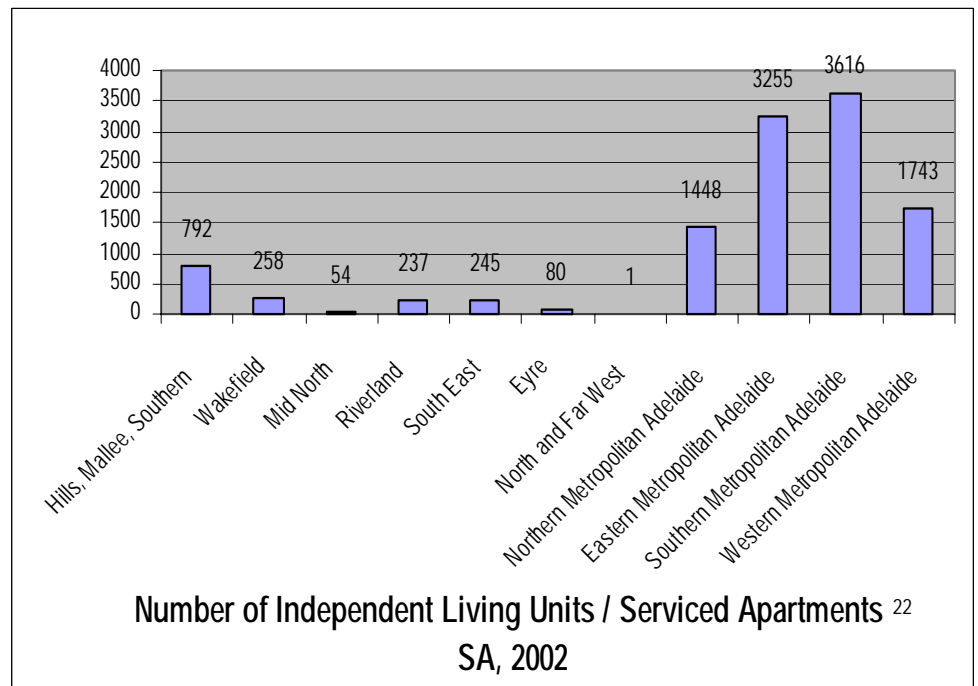
Retirement Villages

Location of Retirement Villages



- ◆ There are 77 retirement villages in country SA (24% of all retirement villages).
- ◆ There are 248 retirement villages in metropolitan Adelaide (76% of all retirement villages).
- ◆ Over 50% of all retirement villages are located in eastern and southern metropolitan Adelaide. ²⁰

- ◆ 1,667 Independent Living Units or Serviced Apartments are located in country SA (14% of total retirement village stock).
- ◆ 10,062 Independent Living Units or Serviced Apartments are located in metropolitan Adelaide (86% of total retirement village stock). ²¹



Retirement Villages

The Retirement Villages Act 1987

The SA Department of Human Services through the Office for the Ageing (OFTA) is responsible for the administration of the Retirement Villages Act and Regulations. The *Retirement Villages Act 1987* regulates the management of the retirement villages and the rights of residents. The Act is designed to ensure that:

- the rights and obligations of both residents and management are made clear
- administering authorities cannot make harsh or unconscionable rules about what residents can do
- administering authorities must provide residents with details of contracts, rules and the amount of premiums to be repaid if a resident leaves
- administering authorities must provide residents with audited financial statements about the village's running costs at least once a year; and
- the Residential Tenancies Tribunal has the power to settle disputes between residents and administering authorities, but not disputes between residents.²³

Review of the Retirement Villages Act

- ◆ A review of the *Retirement Villages Act 1987* commenced in January 2000, focusing on the following issues:
 - matters relating to vacating premises, including: the ongoing payment of maintenance fees, delays in the sale or re-licensing of units, refurbishment responsibilities, and access to refund entitlements.
 - management practices, with consistent reference to the lack of clarity and transparency in financial
- ◆ As a result, *The Retirement Villages (Miscellaneous) Act 2001* was proclaimed on the 15th January 2002, and implemented on 1 July 2002. However, it became apparent that a number of issues concerning the operation of the Act remained unresolved. A new review was announced in February 2002, and following a public consultation, a final report and recommendation are currently being considered by the Minister for Housing.²⁴ The review should be finalised by mid-2004, and will probably result in the drafting of entirely new legislation.²⁵
- ◆ *Shelter SA's Submission for the Review of the Retirement Villages Act* is available at: www.sheltersa.asn.au
- ◆ For further information on the Review of the Retirement Villages Act, please refer to www.dhs.sa.gov.au/home.asp?nav=publications (and scroll down to Retirement Villages Act Review).

Retirement Villages

Advice for Prospective Residents

*The **financial aspects** of retirement village life are complicated, with many **pitfalls for the unsuspecting**. It's easy to become swept up in the lifestyle choices but ignoring the important financial implications can be disastrous.*

*Contracts and legal structures can vary. Laws differ from state to state. **Ongoing fees can be significant**. Those that apply when you leave a village can be particularly steep.*

*We're sure there are many happy retirement village residents throughout Australia, but **our research indicates that a lot of residents become disappointed** with their decision to move to a village.*

*In spite of state laws covering retirement villages, **it's still up to the consumer to look beyond the advertising promises** and get the information to make a fully informed financial decision.*

*Make sure you completely **understand the long-term financial implications** of your contract and that everything you're told about services and fees is **given to you in writing**.*

From the Australian Consumers Association website, www.choice.com.au

For further information visit the Australian Consumers Association website: www.choice.com.au and either type in Retirement Villages in the search option, or click on the A-Z Index and follow the prompts. Topics include: Legal Structures, Services and Facilities, Entry Costs, Departure Fees, What are Your Rights.

Information about Retirement Villages

The SA Department of Human Services has produced information on the following topics:

- ◆ Introduction to Retirement Villages
- ◆ Questions to Ask Yourself
- ◆ Moving into a Village
- ◆ Living in a Village
- ◆ Leaving a Village.

It is available at: www.dhs.sa.gov.au/documents/publications/retirement-villages-02/introduc.pdf or follow the links at www.seniors.asn.au This information is also included in the publication produced by the Seniors Information Service, *Retirement Accommodation: Adelaide Metropolitan Area and Environs, Lifestyle and Choices*.

For further details on retirement villages in South Australia, including current vacancies, please contact the Seniors Information Service on 8232 1441 or visit their website: www.seniors.asn.au

Retirement Villages

Shelter SA Policy Statement 9 Retirement Villages

- 9.1 Shelter SA believes Retirement Villages are an appropriate housing option for some older people.
- 9.2 Shelter SA believes there should be a range of mediation systems to make the dispute resolution process more user friendly.
- 9.3 Shelter SA believes that greater training should be given to Residential Tenancy Tribunal members and Tenancies Branch staff about the Retirement Villages Act 1987.
- 9.4 Shelter SA believes that there should be certain Residential Tenancy Tribunal members and tenancy branch staff who develop an expertise in Retirement Villages and hear all disputes relating to Retirement Villages.
- 9.5 Shelter SA believes that potential residents should be given better information to make clear and informed choices about what they are entering into, prior to signing contracts.
- 9.6 Shelter SA calls for the establishment of a register of Retirement Villages.



Retirement Villages

References and Further Information

Accommodation Vacancies and other information about Retirement Villages.

(Seniors Information Service (SIS) , 45 Flinders St, Adelaide, 5000.

Tel: 8232 1441, website: www.seniors.asn.au).

Independent Living Units: The Forgotten Social Housing Sector.

(McNeils, S; AHURI, Jan. 2004). Available at: www.ahuri.edu.au/global/docs/doc574

Independent Living Units: The Forgotten Social Housing Sector,

Appendix 4: National Survey of Independent Living Units.

(McNeils, S; AHURI, Jan. 2004). Available at: www.ahuri.edu.au/global/docs/doc575

*Progress Report on the Review of the Retirement Villages Act 1987.**

(SA Department of Human Services, June 2003).

Available at: www.dhs.sa.gov.au/home.asp?nav=publications (and scroll down)

*Retirement Accommodation: Adelaide Metropolitan Area and Environs, lifestyle and choices.**

(Seniors Information Service, Nov. 2003) .

*Retirement Villages Act (1987).**

Available at: www.parliament.sa.gov.au/Catalog/legislation/Acts/R/1987.46.htm

*Retirement Villages Regulations (2002).**

Available at: www.parliament.sa.gov.au/Catalog/legislation/Regulations/R/2002.7.htm

Retirement Village Association. (Peak industry body for Retirement Village Industry)

www.rva.com.au

SA Retirement Village Information for Residents / Prospective Residents.

Available at: www.dhs.sa.gov.au/documents/publications/retirement-villages-02/introduc.pdf

South Australian Retirement Village Residents Association (SARVRA).

Telephone: 8232 0422. Website: www.seniors.asn.au/SARVRA.htm

(* denotes that this reference is available in the Shelter SA library).

Footnotes

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| 1. SIS Information Sheet, <i>Retirement Villages</i> , p.1 | 14. Ibid, p.1 |
| 2. <i>Retirement Village Information for Residents/ Prospective Residents</i> , Introduction, p.2 | 15. Ibid, p.1 |
| 3. SIS Information Sheet, <i>Retirement Villages</i> , p.1 | 16. Ibid, p.1 |
| 4. Ibid, p.1 | 17. Ibid, p.1 |
| 5. Previously unpublished data, produced by Seniors Information Service, Jan. 2002, p.2 | 18. Ibid, p.1 |
| 6. SIS Information Sheet, <i>Retirement Villages</i> , p1 | 19. Ibid, p.2 |
| 7. Ibid, p.2 | 20. Ibid, p.2 |
| 8. Ibid, p.1 | 21. Ibid, p.2 |
| 9. <i>Retirement Accommodation</i> , SIS, 2003, p. 7-42 | 22. Ibid, p.2 |
| 10. Ibid, p. 43-54 | 23. <i>Retirement Village Information for Residents/ Prospective Residents</i> , Introduction, p.2 |
| 11. Ibid, p. 59-67 | 24. <i>Progress Report on the Review of the Retirement Villages Act 1987</i> , DHS, June 2003, p.1-2 |
| 12. SIS Information Sheet, <i>Financial and Contractual Arrangements</i> , p.1 | 25. <i>Retirement Village State by State guide</i> , www.choice.com.au |
| 13. Previously unpublished data, SIS, Jan. 2002, p.1 | |

