COSTS OF LIVING IN A RETIREMENT VILLAGE

Making decisions about your retirement living, whether for yourself or a loved one, can be challenging. Understanding the available options, the costs and fees can help make this major life choice easier.

Generally, there are three different models or 'tenure types' associated with retirement villages - loan or licence to occupy, leasehold or freehold title.

All three models allow residents to continue to access home equity – a plus for retirees to help bridge the gap in funding their retirement!

Many retirement villages charge entry, ongoing and exit fees. Fees and rules vary from village to village and state to state.

In Australia, there are both rental and ownership opportunities in retirement villages.

Retirement rental unit costs

Some retirement villages offer rental homes and while many are income assessed and reserved for people with limited financial capacity offered by non-profit organisations and local Councils, the private sector is increasingly developing more rental accommodation for seniors.

Retirement rentals work much like those in the general community where you sign a tenancy agreement, pay a rental bond (maximum 4 weeks' rent), make regular rent payments and pay for water usage (if you have a separate meter).

	Loan or Licence to Occupy	Leasehold	Freehold Title
Popularity	50-60% of villages	30% of villages	<10% of villages
Ownership Rights	Licence to occupy Acts as an interest-free loan from resident to village	Long-term lease over dwelling	Outright ownership
Payment	Entry contribution Periodic maintenance fees Special levies to refurbish dwelling	Long-term lease over dwelling Stamp duty	Outright ownership Stamp duty
When Resident Leaves	Resident receives entry contribution refund, less deferred management fee (DMF). Less portion of capitcal gains kept by village	Resident receives lease termination payment (based on resale price)	Resident receives resale price less village fees
Security of Tenure	Low security: Licence not registered with Land Titles Office	Secure: Lease registered with Land Titles Office	Secure: Deed registered with Land Titles Office

Notes:

DMF: DMF is usually 3% of entry contribution per year of residence, up to a cap of 12 years.
Capital gains: Village most commonly keeps 50% of capital gains from resale of dwelling

Source: Canstar/Productivity Commission Housing, Decisions of Older Australians report: https://www.canstar.com.au/superannuation/how-do-retirement-villages-work/

There are Centrelink assessments and government rental assistance available for people living in retirement villages. Using the amount you paid when you entered the retirement village, you will then be assessed as a homeowner or non-homeowner. You may be eligible for rent assistance if you are a non-homeowner.

Whether you decide to live your twilight years in a retirement village (as owner or tenant) or stay in your own home for as long as possible utilising equity release options, know that you have a finance specialist you can call on to help you make those big life finance decisions.

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