Retirement village living in New Zealand

About retirement villages

New Zealand has more than 460 registered retirement villages and 96% by unit number are members of the Retirement Villages Association (RVA).

Retirement villages offer older New Zealanders a range of affordable accommodation and lifestyle options, independent living, a continuum of care, community facilities and comprehensive consumer protection.

The retirement village sector is the only industry building modern care facilities for older New Zealanders. Around 65 per cent of retirement villages have a care facility on site. However, residents who are assessed as needing care can receive home-based support in almost every village.

The vast majority of villages offer call systems in their units and 24-hour monitoring services where an emergency call is attended by someone whose experience may range from first aid certification to full nursing experience.

Our residents

More than 50,000 people live in retirement villages throughout New Zealand. The average age of entry is mid to late 70s, although ages can range from 55 upwards. While some residents appreciate the ready access to care, many people move to a village for the security, companionship, sense of community and high level of facilities. Retirement villages are an important part of the communities they are located in, and residents enjoy getting out and about and welcoming friends and family to visit the village.

Living options

Every retirement village resident has a contract with the operator called an Occupation Right Agreement (ORA). A Licence to Occupy (LTO), a Unit Title and leases are variations of an ORA.

- **Licence to occupy (LTO):** This is the most common form of occupation right in New Zealand. The incoming resident pays a capital sum for the right to occupy a specific unit in the village and use the village's amenities, according to the terms of the LTO. The ownership of the land and buildings remain with the village operator.
- **Unit title:** A resident owns the residential unit and is a member of a body corporate. The body corporate is responsible for the upkeep and maintenance of communal areas and usually has a management agreement with a village manager to look after the day-to-day operation of the village. When the resident leaves the village they are entitled to any capital gain (or loss) on re-licensing their unit.
- **Lease:** While their numbers are declining, there are a variety of lease arrangements available, whether a lease for life, a life interest, or a cross lease.

Regardless of the type of ORA, it is crucial that any intending resident (and ideally, their family) understands the details of the type of lease on offer. The Retirement Villages Act requires every intending resident to get legal advice about their ORA.

Types of accommodation

There are many types of villages and the accommodation options, services and facilities offered vary from village to village. They include:

- Villas, town houses, or apartments: these can be a one, two, three or even a four-bedroom dwelling that may form part of a complex, be semi-detached or completely stand-alone. These units are designed for active people who can live independently within the village.
- Serviced apartments (or care suites): These provide accommodation for residents who require some assistance with daily living. Some are licensed to provide rest home or hospital level care.

Facilities

Many villages have extensive on-site facilities such as a café/dining room, swimming pool, library, bowls, a gym, cinema, internet cafe and workshop areas. Many also offer services such as doctors, physiotherapists, hairdressers and organise events for residents including entertainment, outings and transport for grocery shopping.

Costs

Entry prices (the capital sum) vary from village to village, but generally they are lower than the average freehold home in that location. This allows residents to realise the equity in their family home, move to a village and deposit some money in the bank.

Residents pay a weekly fee to cover overheads of the day-to-day running of the village. These may include the upkeep of the village facilities, maintenance of the village grounds and gardens, staff wages and salaries, statutory charges such as council and water rates, security costs, ACC and public liability insurance, and common area insurance for the entire village. This helps ensure a 'no hassle' lifestyle for residents.

The fee is generally reviewed annually as village management plans the budget for the year ahead. However, in the overwhelming majority of units the fees are fixed for life or can only increase by the rate of CPI. In these cases, the difference in the income from the fees and the actual cost of providing the services is subsidised by the operator. This subsidy can amount to several million dollars annually.

Leaving the village

When a resident leaves the village, they get their original capital sum back less the Deferred Management Fee (DMF) that is usually between 20% and 30% of the original capital sum. The DMF covers the refurbishment and management of the retirement village as well as a subsidy for the operating costs while the resident lives in the village, and provides the village operator with their margin. The terms of any repayment due to the resident or their estate will vary from village to village and will be clearly set out in their ORA.

For the resident, this 'enjoy now, pay later' model is well understood and popular – more than 100 older New Zealanders on average are moving into a village every week.

Affordability

Village residents come from all walks of life and, provided they have some capital, the variety of village offerings almost certainly means there's a home for everyone. Many residents only have their National Superannuation to live on, and benefits such as the rates rebate are available to them. The sector continues to evolve, particularly with the increasing focus on care, and there is more competition between operators and therefore more choice for New Zealanders than ever before.

Consumer protection

- The Retirement Villages Act requires all retirement villages to be registered with the Registrar of Retirement Villages, part of the Ministry of Business, Innovation and Employment. Being registered protects the residents from mortgagee sale, liquidation or receivership by placing a memorial on the title of the land on which the village is based. The Registrar-General of Lands records the memorial which notifies interested parties that the residents' rights have priority over other parties. This stops a creditor or operator selling the village other than as a going concern, and also stops residents from being evicted or excluded from using the village facilities they are entitled to use. The Companies Office website provides a publicly-available registry of registered villages. Residents living in an unregistered village would not be protected under the Act.
- The Occupation Right Agreement (ORA) is the legally binding agreement between the resident and the village operator and sets out the terms and conditions of the resident's right to live in the village. Under the Retirement Villages Act 2003, any intending resident must receive independent legal advice before signing the ORA. The same lawyer who witnesses their signature on the ORA must also certify that they have explained to them the general effect of the ORA and its implications.
- All operators must lodge disclosure statements with the Registrar and the disclosure statement must be provided to intending residents before they sign an ORA. This statement describes the ownership, management and supervision of the village. It includes information about the occupancy tenure, the state of the village, the services and facilities offered and the arrangements for maintenance and refurbishment. It outlines the costs of entering and living in the village, and what the resident or their estate can expect to get back after they leave.
- Registered villages are required to have a Statutory Supervisor. While an exemption is possible, in fact few have been given. The Statutory Supervisor is independent from the village manager and monitors the financial position of the village, ensures the security interests of the residents are protected and that the retirement village is adequately managed. The Statutory Supervisor must also report annually to the residents via the Village Annual General Meeting to which all residents are invited to attend. The Statutory Supervisor is regulated by the Financial Markets Authority.

- If a village is sold, the new owners are obliged to honour the terms of existing ORAs. A village can only be sold with the consent of the Statutory Supervisor.
- Cooling-off period after signing an ORA. In between signing the ORA and moving in, the Retirement Villages Act gives an intending residents the right to a refund of all money paid if they cancel during a 15 working day 'cooling-off' period from the date the ORA is signed. Any money they have paid is held by the statutory supervisor (if there is one) until the cooling-off period expires. Many villages also voluntarily have a further period, e.g. 90 days, whereby residents can decide to terminate their ORA at no cost.
- The Retirement Village Act requires management to provide residents with annual financial statements and budgets for their village. These are usually presented and discussed at the village's Annual General Meeting.
- Complaints and disputes – if there's a problem, every resident has the right to raise a formal complaint. The Code of Practice sets out the process to manage the complaints and disputes regime, that can include mediation and a Disputes Panel. The RVA also has its own complaints and disputes resolution service.

Exceptional level of resident satisfaction

Independent research shows over 95% resident satisfaction with retirement village living.

Focus group research reveals residents are overwhelmingly happy with their experiences of retirement living with many praising the companionship, social connections, safety, and security.

Almost all residents said that their experience of moving into their village had gone well. Everyone was confident that there was a complaints process for them to follow and they were relaxed that, if needed, they would be listened to. When prompted about the moving out process, given the rigorous process they went through to sign up to the village, residents were mostly confident that the steps would play out as expected.

A solution to New Zealand's housing crisis

The sector is also one of the country's largest house builders, offering older New Zealanders a range of affordable accommodation options with independent living through to a continuum of care and expansive community facilities.

New village villas and apartments free up family homes across New Zealand for new families to enjoy. 5,500 family homes are released back into the community each year thanks to retirement villages.

Find out more at **www.retirementlife.co.nz**