What are some of the key financial issues on entering *a Retirement Village?*

A retirement village is a housing development designed for people aged 55 and over. Most retirement villages offer self-contained units and some also offer serviced units. They can also provide services such as meals, cleaning, and personal care on a fee-for-service basis. Some retirement villages may also offer hostel and nursing home accommodation on the same site.

What are a retirement village's fees?

Entry Contribution

The entry contribution will vary depending on a number of factors such as location of the village, the level of service and the activities and facilities provided.

There are a number of different legal structures for villages. The most common is "loan-lease". On entry you pay an entry contribution in the form of a zero interest loan to the village.

Licences and strata title arrangements may also be offered but these are less common. Some villages also offer rental accommodation for people unable to afford an entry contribution.

Ongoing fees

A regular maintenance or "outgoings" charge is payable by retirement village residents to cover the ongoing costs of running and maintaining the village. The charge may include contributions to a "works fund" for major repairs and improvements to the village. The charge may also include council and water rates or these may be payable directly to the relevant authority. If the charge includes these items, it may be reduced by applicable pensioner rebates.

The maintenance or "outgoings" charge varies between villages.

What fees apply on departing a retirement village?

When residents leave the village they can, depending on the form of their tenure, sell their interest in the retirement village or, more likely, obtain a refund of their entry contribution from which an exit fee will be deducted. This fee is determined by a formula that generally takes into account entry cost and years of occupancy. Any capital gain may be retained by the operator or shared between the resident and operator. Administration and agency fees may also apply.

Please note: State government consumer offices such as NSW Department of Fair Trading have more information on retirement villages for prospective residents.

How does Centrelink assess home owner status?

If the entry contribution is greater than the difference between the home owner and non-home owner assets test threshold for Centrelink purposes, known as the Extra Allowable Amount or "EAA", the resident is treated as a home owner and the entry contribution is exempt from the assets test. This amount is currently $131,500.

If the entry contribution is less than the EAA, the resident is treated as a non-home owner. In this case, the entry contribution is treated as an asset but it is not subject to deeming. The resident may also be eligible for rent assistance.

If a person moves to a retirement village and the former principal home is retained, the market value of the former home becomes immediately assessable under the assets test.

How should your savings be invested?

On entering a retirement village, there are many considerations in regards to how your savings could be invested, for example:

- You should have a sum of money available at call in case of an emergency.
- You will need an income which covers all costs associated with the retirement village as well as your lifestyle requirements. This income could come from many sources including investments and Centrelink. The investment income will need to be secure and regular, as well as being capable of growing each year to keep up with rising costs.

- A portion of your savings may need to be placed in secure investments as you might need a lump sum to enable you to move to a nursing home or hostel in the future.
- Some of your savings could be invested in growth assets (like shares and property) in order to benefit from some capital growth – assuming you require capital growth in order to meet your long term financial objectives.
- You may need to consider retaining – or placing – some of your money in investments which are only partially assessed by Centrelink (assuming you are eligible to do so) – see below.

Which investment income is only partially assessed for Centrelink's income test?

- Income from allocated pensions, account based pensions, term allocated pensions and complying pensions.
- Income from other investments which earn in excess of the deeming rate.

What is deeming?

Centrelink assesses your income from financial assets (e.g. bank accounts and shares etc) not by the actual income you receive but by deeming. Centrelink deems you to earn 3% p.a. on the first $43,000 (single) or $72,000 (couple) of financial assets and 4.5% p.a. on all financial assets above that level. Retirement income streams are not subject to deeming.

What's not assessed as an asset by Centrelink?

There are a number of key assets which are not assessed as an asset by Centrelink. They are:

1. Money you have in – or roll over into – a super fund while you are less than Age Pension age.
2. If you are Age Pension age and your partner is not, then any money your partner has in – or rolls over into – a super fund won't count as long as they remain under Age Pension age and have not commenced an income stream with the funds.
3. Half of the money you have invested in a term allocated pension or complying pension/annuity – as long as it was purchased after 19 Sept 2004 but before 20 Sept 2007 – is not counted as an asset. Money invested into these investments after 19 Sept 2007 is fully assessed as an asset.
4. Any complying pension/annuity which was purchased prior to 20 Sept 2004.
5. Money you have paid as an Accommodation Bond at an age care hostel or nursing home.
6. Money you have paid into a Funeral Bond (up to $11,000).
7. The difference between the insured value and the garage sale value for your car and home contents may not be assessed.

Who is Australian Unity Personal Financial Services?

We specialise in providing professional strategic advice to help you improve your current financial position and ultimately achieve your long term lifestyle goals.

Importantly, our initial advice isn't a 'set and forget' service. Instead we offer you regular financial mentoring and ongoing guidance – in all aspects of your personal finances – to set you, and keep you, on the path to financial wellbeing.

Our team of experienced financial professionals can provide you with a detailed and totally tailored blueprint for financial success in any or all of the following areas:

- Financial advice
- Wealth creation
- Retirement planning
- Investments
- Superannuation
- Home loans
- Commercial loans
- Investment loans
- Equipment finance
- Car finance
- Personal estate planning
- Business estate planning
- Personal risk insurance
- Business risk insurance.

Australian Unity has a proud 160 year heritage of helping Australians create secure financial futures. This pedigree and experience, combined with our corporate strength and leading edge strategic advice capability, means we are uniquely placed to offer you high quality personal financial services… each finely tuned to your particular needs to ensure you achieve your vision of a secure financial future.

After all, your financial wellbeing is at the heart of everything we do.

MoneyInsights®
with Australian Unity Personal Financial Services

Australian Unity Personal Financial Services is committed to providing Australians with a genuine understanding of their investment options. This is achieved via our comprehensive investor education program called Money Insights.

Because knowledge is the first step to creating a secure financial future.

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