

**Decumulating Retirement Savings, Auckland
21 November 2014**

**Margaret Owens, President
Retirement Villages Association**

RETIREMENT VILLAGE PERSPECTIVES

WHO ARE WE?

We represent the interests of retirement village developers, owners and managers throughout New Zealand.

- + 310 member villages
 - × \$9 billion capital value
- + 22,870 dwellings
 - × 66% corporate, 16% not-for-profit, 18% independent
 - × Approximately 95% of the industry are members
- + 25,800 residents
- + 63% have a care facility on-site
- + 80% LTO, 20% unit title
- + A few rental units are available.



Photo – Summerset Group

WORLD-LEADING CONSUMER PROTECTION

✘ Retirement Villages Act :

- Registration – memorial on title
 - ✘ Residents have total protection before all other creditors, including the bank.
- Statutory Supervisor – financial oversight and reporting
- Code of Residents' Rights
- Retirement Villages' Code of Practice
- Disputes process via Retirement Commissioner
- Focus is on consumer protection

VILLAGES ARE DIFFERENT - 1

Tenure –

- ✘ **Licence to Occupy** – operator retains title to property and resident buys the right to live in the village for as long as they want to or are able to. Receives a % of purchase price (occasionally selling price) on departure.
- ✘ **Unit title** – Operator or body corporate retains title to land, but resident owns the bricks and mortar. Pays a sum to body corporate on departure, retains capital gain.
- ✘ **Lease and rentals** – will vary according to the village, but covered by RV Act if registered.

COSTS TO PURCHASE AN “ORA”

Region	REINZ median	RV capital value	Average RV unit	Difference
Auckland	\$592,000	\$3.863 b	\$450,786	-\$141,214
Waikato	\$350,000	\$800 m	\$299,328	-\$50,672
Bay of Plenty	\$350,000	\$860 m	\$294,261	-\$55,739
Wellington	\$418,625	\$1.03 b	\$338,348	-\$80,278
Nelson	\$354,000	\$152 m	\$281,758	-\$72,242
Canterbury	\$399,000	\$945 m	\$310,063	-\$88,937

Source : CBRE – NZ Retirement Village Industry Capital Value Estimate, March 2014

EQUITY RELEASE : A CASE STUDY (COURTESY OF SPICERS)

- ✘ A single woman aged 70 years
- ✘ Lives alone in her family home
- ✘ Freehold but too large for her needs
- ✘ Needs maintenance, heating, garden upkeep
- ✘ Has \$300,000 in the bank from life savings

- ✘ What to do next? Is considering moving to a retirement village, purchasing another unit, or staying where she is.

SPECIFIC NUMBERS

- ✘ Licence to occupy \$275,000
- ✘ Monthly fee \$375/month = \$4,500 pa
- ✘ Costs to remain in the family home :
 - + Rates \$ 2,200 pa
 - + Insurance \$ 657 pa
 - + Lawns /gardening \$ 1,000 pa
 - + Light maintenance \$ 1,000 pa
 - ✘ Subtotal \$ 4,857 pa

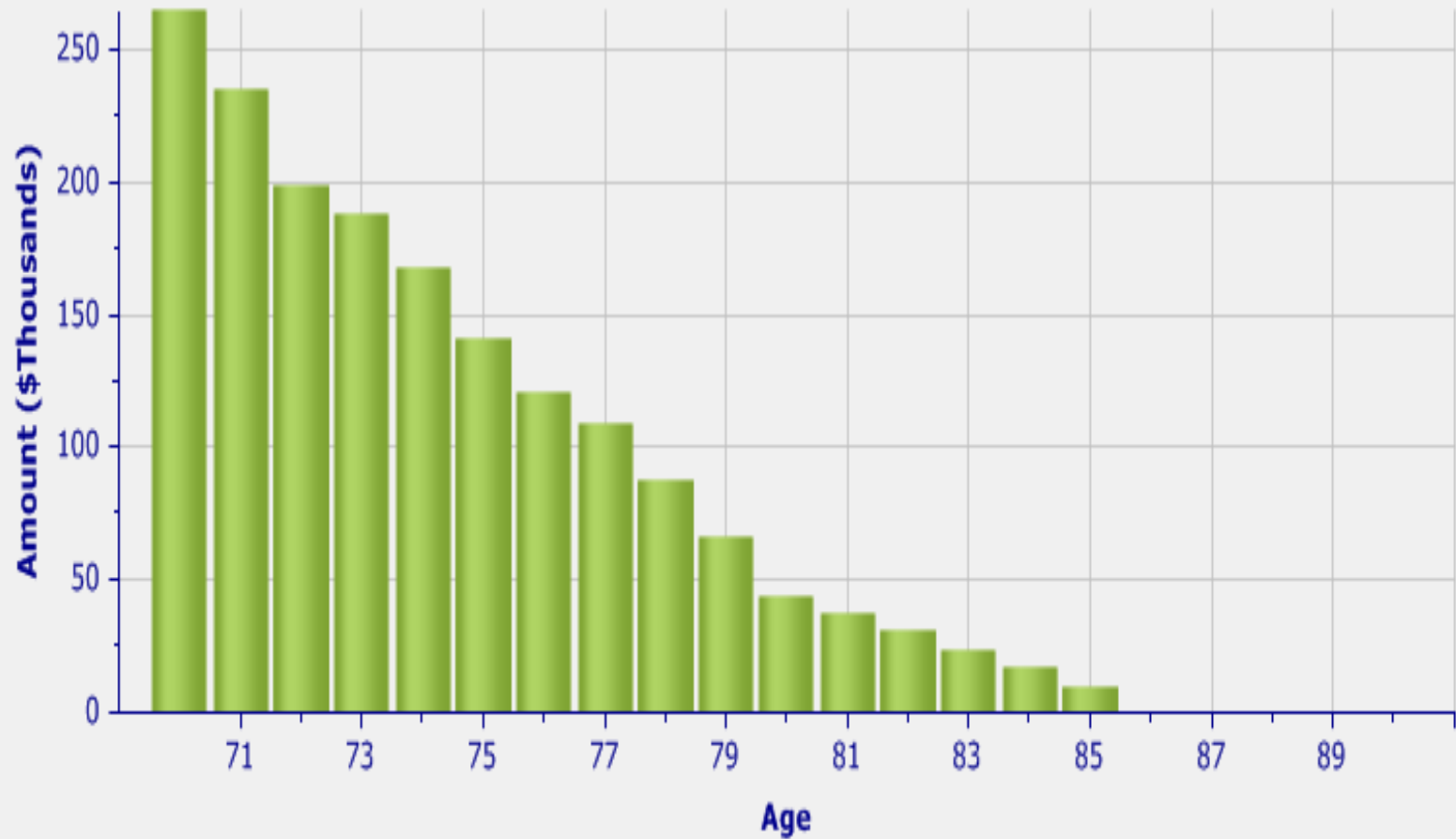
ASSUMPTIONS IN THE MODELLING

- ✘ Draws down \$7,000 p.a. in addition to National Superannuation.
- ✘ Home needed repainting in 2 years and every 7 years at \$15,000 each time.
- ✘ Car needed upgrading now and every 5 years until aged 80 at \$15,000 each time.
- ✘ Travel to Europe every 2nd year for next 8 years requiring approx \$15,000 each time.
- ✘ Travel to Australia or Pacific every other year requiring approx \$5,000 each time.

STAY IN OWN HOME

Age	Opening	Return	Savings	Drawings	Lumpsum Savi	Lumpsum Draw	Super.	Growth	Closing
70	\$300,000	2.0%	-	\$7,000	-	\$30,000	-	\$1,849	\$264,849
71	\$264,849	2.0%	-	\$7,000	-	\$25,000	-	\$1,640	\$234,489
72	\$234,489	2.0%	-	\$7,000	-	\$30,000	-	\$1,358	\$198,847
73	\$198,847	2.0%	-	\$7,000	-	\$5,000	-	\$1,361	\$188,208
74	\$188,208	2.0%	-	\$7,000	-	\$15,000	-	\$1,173	\$167,381
75	\$167,381	2.0%	-	\$7,000	-	\$20,000	-	\$963	\$141,344
76	\$141,344	2.0%	-	\$7,000	-	\$15,000	-	\$822	\$120,166
77	\$120,166	2.0%	-	\$7,000	-	\$5,000	-	\$771	\$108,937
78	\$108,937	2.0%	-	\$7,000	-	\$15,000	-	\$579	\$87,516
79	\$87,516	2.0%	-	\$7,000	-	\$15,000	-	\$418	\$65,934
80	\$65,934	2.0%	-	\$7,000	-	\$15,000	-	\$256	\$44,190
81	\$44,190	2.0%	-	\$7,000	-	-	-	\$256	\$37,446
82	\$37,446	2.0%	-	\$7,000	-	-	-	\$205	\$30,651
83	\$30,651	2.0%	-	\$7,000	-	-	-	\$154	\$23,805
84	\$23,805	2.0%	-	\$7,000	-	-	-	\$103	\$16,907
85	\$16,907	2.0%	-	\$7,000	-	-	-	\$51	\$9,958
86	\$9,958	2.0%	-	\$7,000	-	\$15,000	-	-	-
87	-	2.0%	-	\$7,000	-	-	-	-	-
88	-	2.0%	-	\$7,000	-	-	-	-	-
89	-	2.0%	-	\$7,000	-	-	-	-	-
90	-	2.0%	-	\$7,000	-	-	-	-	-

STAY IN OWN HOME



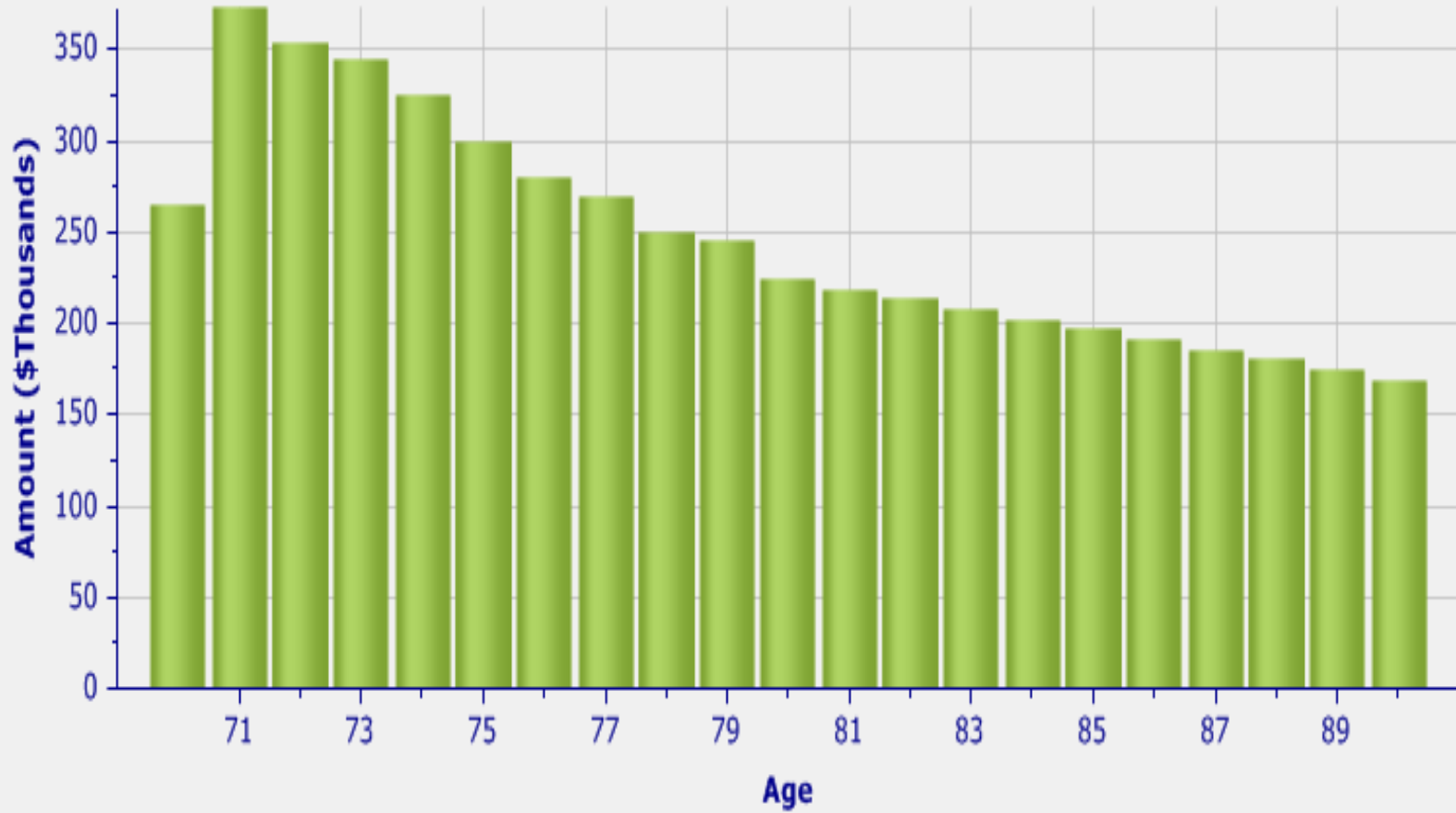
MOVE TO RETIREMENT VILLAGE

- ✘ Daily outgoings the same
- ✘ Releases capital for use on lifestyle.
- ✘ No kitchen upgrade or house painting required.
- ✘ Assumed house sold for **\$420,000**
 - + Less real estate fee **\$ 18,000**
 - + Less legal fees **\$ 3,000** (sale & purchase)
 - + Less shifting costs **\$ 7,000**
 - + Net released **\$392,000** less **\$275,000**
- Total Released = **\$117,000**

RETIREMENT VILLAGE

Age	Opening	Return	Savings	Drawings	Lumpsum Savi	Lumpsum Draw	Super.	Growth	Closing
70	\$300,000	2.0%	-	\$7,000	-	\$30,000	-	\$1,849	\$264,849
71	\$264,849	2.0%	-	\$7,000	\$117,000	\$5,000	-	\$3,124	\$372,973
72	\$372,973	2.0%	-	\$7,000	-	\$15,000	-	\$2,705	\$353,678
73	\$353,678	2.0%	-	\$7,000	-	\$5,000	-	\$2,630	\$344,308
74	\$344,308	2.0%	-	\$7,000	-	\$15,000	-	\$2,433	\$324,740
75	\$324,740	2.0%	-	\$7,000	-	\$20,000	-	\$2,193	\$299,933
76	\$299,933	2.0%	-	\$7,000	-	\$15,000	-	\$2,011	\$279,944
77	\$279,944	2.0%	-	\$7,000	-	\$5,000	-	\$1,970	\$269,914
78	\$269,914	2.0%	-	\$7,000	-	\$15,000	-	\$1,786	\$249,700
79	\$249,700	2.0%	-	\$7,000	-	-	-	\$1,797	\$244,497
80	\$244,497	2.0%	-	\$7,000	-	\$15,000	-	\$1,595	\$224,092
81	\$224,092	2.0%	-	\$7,000	-	-	-	\$1,605	\$218,697
82	\$218,697	2.0%	-	\$7,000	-	-	-	\$1,564	\$213,261
83	\$213,261	2.0%	-	\$7,000	-	-	-	\$1,524	\$207,785
84	\$207,785	2.0%	-	\$7,000	-	-	-	\$1,483	\$202,268
85	\$202,268	2.0%	-	\$7,000	-	-	-	\$1,441	\$196,709
86	\$196,709	2.0%	-	\$7,000	-	-	-	\$1,399	\$191,108
87	\$191,108	2.0%	-	\$7,000	-	-	-	\$1,357	\$185,466
88	\$185,466	2.0%	-	\$7,000	-	-	-	\$1,315	\$179,781
89	\$179,781	2.0%	-	\$7,000	-	-	-	\$1,273	\$174,053
90	\$174,053	2.0%	-	\$7,000	-	-	-	\$1,230	\$168,283

MOVING TO RETIREMENT VILLAGE



RELEASING EQUITY

CRESA survey of 477 RV residents, September 2014

Equity	Number of residents	Percentage of total
Less than \$25,000	144	30.2%
\$25,000 - \$50,000	80	16.8%
\$50,001 - \$75,000	49	10.3%
\$75,001 - \$100,000	38	7.9%
\$100,001 and above	166	34.8%

The logo for the Retirement Villages Association of New Zealand (RVANZ) is presented within a white rectangular border. It features three horizontal bands: a top green band with the letters 'RVA' in white, a middle dark blue band with the words 'NEW ZEALAND' in white, and a bottom green band. The text 'RVA' is in a large, white, serif font, while 'NEW ZEALAND' is in a smaller, white, serif font.

RVA

NEW ZEALAND

Retirement Villages Association