



The Association of Residents of  
Queensland Retirement Villages Inc

## FACT SHEET #9

# WHAT TO LOOK FOR IN YOUR CONTRACT

The decision to move into a village is not one to be taken lightly... For many, it is a journey that is paved with glossy marketing material, meetings with genuinely lovely sales people, visits to the beautiful village and serious soul searching. When you finally make *that* decision and you choose the right village for you, the operator gives you what they call ‘disclosure’. As the wads of paper hit the desk in front of you with a deafening thud, it is as though someone turned off the mood music. The piles of ‘disclosure’ can often be repetitive, confusing and just plain hard to understand.

But why on earth would operators do this? Well, the disclosure is required by the Government so ‘yes’, it does have to look like that and ‘yes’ it does have to contain so much information. While some operators *are* trying hard to make their documents clearer and simpler, the industry is just not there yet. Until that happens, here are **5 important things to look out for in Queensland contracts:**

Item	What does it mean?
<b>Ingoing Contribution</b>	<ul style="list-style-type: none"> <li>a. This is the amount you pay – it is like a ‘purchase price’ and is usually an interest free loan.</li> <li>b. Make sure you know how much it is and when it is payable. Some operators let you move in now and pay later. This is often so you don’t have to wait to sell the family home to get settled in your new home. If this is the case for you, find out when you are obligated to make full payment.</li> </ul>
<b>Ongoing fees</b>	<ul style="list-style-type: none"> <li>a. There are two types of ongoing fees – general service charges and personal service fees.</li> <li>b. Service fees are regular fees to cover the cost of running the village. These fees generally increase every year – but you have a say in increases above CPI (except if the increase is because of things like award wage rates or fees charged by Council).</li> <li>c. Personal service fees are for services that you choose. You can start and stop the payment at any time.</li> </ul>
<b>Maintenance and replacement responsibility</b>	<ul style="list-style-type: none"> <li>a. Some contracts make residents responsible for maintaining (and replacing) everything in their unit – including hot water systems and air conditioning. The cost of this can add up.</li> <li>b. Find out what you are responsible for, and what the costs of those items might be.</li> <li>c. Personal service fees are for services that you choose. You can start and stop the payment at any time.</li> </ul>
<b>Exit fees</b>	<ul style="list-style-type: none"> <li>a. Exit fees are funds paid to the operator, which can be applied as the operator sees fit (usually to things like capital replacement or profit). These fees are usually deferred until you leave.</li> <li>b. Make sure you know how much they are in total, and whether they are calculated on the price you sell your unit for or the price you paid for your unit.</li> </ul>

<b>Repayment</b>	<ol style="list-style-type: none"><li>a. There are two things to watch out for – when you get repaid and how much you get repaid</li><li>b. The law requires repayment within 18 months – however, some operators promise repayment sooner (or early release of equity so that you can access care).</li><li>c. Some operators share ‘capital gain’ with residents, others don’t.</li></ol>
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Any one of the above factors does not make a good contract or a bad contract by itself. The question is whether the village is right for you, which is based on a whole range of things that only you really know. Good luck with your move and happy retirement...

*This information was provided free of charge by Danielle Lim, Principal, DSL Law*

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*This factsheet is not a substitute for legal or financial advice.*

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