

**Submission to ‘Review of the Retirement Villages Act 1986’ in regard to the “ [REDACTED] ” Village Contract conditions in regard to Exit Fees and Fortnightly Maintenance Fees.**

**Laurie Living-** [REDACTED]

*Background- Laurie Living*

I am a resident of [REDACTED] in [REDACTED] having purchased Unit [REDACTED] in 2015.

My concerns relate to the exorbitant Exit fees charged by [REDACTED] when a resident needs to sell and move into Aged Care, and the calculation of increases in the management fee paid fortnightly by residents.

Since 2017 there has been an increased social and media concern about the management and operation of lifestyle and retirement villages with the ACCC launching an ongoing investigation into what it has labelled ‘unconscionable and misleading conduct’ and ‘unfair contract terms’.

The legal firm [REDACTED] has begun a Class action in the Federal Court on behalf of retirement village residents. The Consumer Action Law Centre of Victoria has identified ‘harsh exit fees’ as a matter of major concern. [REDACTED] is preparing a Class Action brief looking at ‘deferred management and exit fees’ and encouraging clients to join. A recent article in ‘Your Life Choices’ raised the question ‘Should exit fees from villages be banned?’

[REDACTED] Contract includes an Exit Fee that

- Increments at 4% per annum to 20% over 5 years **with an additional 2% management** fee paid on exiting.
- This fee is calculated on the ‘**sale**’ price of the property enabling **Lifestyle Management and Shareholders** to benefit from the capital gain associated with natural increases in real estate property and the ‘value-added’ by residents carrying out improvements at their own cost and expense.

**Question 1: “ If the residents have paid for their property and invested in their capital gain how can you justify taking 22% of the sale price when a resident leaves and/or moves onto an aged care facility?”**

This Contract arrangement assumes that the [REDACTED] continues to own the house, the improvements and the house real estate increased values.

**Question 2: “How can this be when the resident has paid for the house/improvements?”**

Other Companies similar to ‘the [REDACTED]’ have moved to new contractual arrangements in this matter such as

- Dispensing with exit fees altogether.
- Offering buyers the **option** of purchasing without an exit fee included.
- Retaining the 'exit fee' but more fairly calculating it on the 'purchased price' of the property instead of the 'exit sale price'.
- Permitting residents to pay the fee as they go on a yearly basis for five years.

██████ residents pay a fortnightly maintenance fee which is currently \$371.24 for a single person. This 'rental' fee is increased annually by a minimum of 3.5% or by the CPI increase if it is higher. Since ██████████ was initiated [██████] the annual CPI has not exceeded 2% yet the Company has increased the rent by almost twice that amount. As most ████████ residents are pensioners the impact of this annual rental increase of 3.5% on residents' income and costs of living are significant as pensions since 2012 have not kept up with that amount.

In the last four years there have been significant profits for ██████████ and its shareholders at the expense of impoverishing the senior and pensioner residents. For example

- 2016 Net profit after tax attributable to shareholders increased by \$2.6 million to \$19.3 million
 

Net profit	<b>31.75%</b>
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- CPI **1.80%**
- 2015 Net profit after tax attributable to shareholders increased by \$4.4 million to \$16.7 million
 

Net profit	<b>35.60%</b>
CPI	<b>1.10%</b>
- 2014 Net profit after tax attributable to shareholders of \$12.3 million
 

Net profit	<b>76.4%</b>
CPI	<b>2.90%</b>

Many pensioners go into "██████ Villages" at an age of 65+ when they are still well enough to live independently and with an acceptable quality of life. By the age of 80 these pensioners will require an important increase in aged care and will need to transfer to some kind of aged care facility. The costs of transferring to aged care are increasingly becoming dependent of a person's funds and assets. If those funds and assets are diminished by unfair 'rentals' and 'exit' fees then many seniors will not be able to transition to quality aged care.

It is appropriate that the Victorian Government now legislate and regulate the "██████" industry so that its citizens can continue to an acceptable quality of life in later life.