

DOWN SIZING MADE SIMPLE



Rachel Lane & Noel Whittaker
explain the dos & don'ts of downsizing

DOWN
SIZING
MADE SIMPLE

RACHEL LANE
NOEL WHITTAKER

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Dedicated to senior Australians. You have played a major part in building this great country, and we hope that this book will help you seize the opportunity to enjoy the golden years of your life.

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Everything changes, including rates. Every rate in this book was correct at the time of writing, and we checked and updated all the figures just before going to print in October 2023. Nonetheless, we acknowledge that many of the figures will be outdated by the time you are reading the book. This is because figures change all the time. Just in pension and aged care, figures change on 1 January, 20 March, 1 April, 1 July, 20 September and 1 October. You can go to www.downsizingmadesimple.com.au to download the latest Centrelink and aged care rates and thresholds at any time.

Without limiting the generality of the foregoing, no person, persons or organisation should invest monies or take other action on reliance of the material contained herein, but instead should satisfy themselves independently (whether by expert advice or otherwise) of the appropriateness of any such action.

ABOUT THE AUTHORS

RACHEL LANE explains retirement living and aged care like no-one else. She breaks down complex financial arrangements into plain and engaging English, empowering people to understand the pros and cons of their options.

For almost 20 years Rachel has specialised in the financial planning aspects of retirement. Over that time she has also assisted her grandmother — affectionately known as “Ducky”, and the source of many stories — to navigate her way through a retirement village, a home care package, a few respite stays and more recently a move to an aged care home. Rachel holds a Masters in Financial Planning, and through her many years’ professional and personal experience has become known as “the aged care guru”.

As Principal of Aged Care Gurus, Rachel oversees a national network of specialist financial advisers. She recently created “Village Guru”, a software program that demystifies the financial aspects of moving to a retirement community.

She is highly sought after as a presenter at conferences and seminars across the country, writes regular columns for newspapers, magazines and websites, and often speaks on radio and television.

NOEL WHITTAKER is an international bestselling author, finance and investment expert, radio broadcaster, newspaper columnist and public speaker; he is one of the world's foremost authorities on personal finance.

Noel reaches over seven million readers each week through his columns in major Australian newspapers in Sydney, Melbourne, Perth and Brisbane. He contributes to magazines and websites, and appears on radio and television.

Noel is one of Australia's most successful authors, with 23 bestselling books achieving worldwide sales of more than two million copies. His first book, *Making Money Made Simple*, set Australian sales records, was named in the 100 Most Influential Books of the Twentieth Century and is now in its twenty-third edition.

For 30 years, Noel was a Director of Whittaker Macnaught, one of Australia's leading financial advice companies, with more than two billion dollars under management. He relinquished all interests in that business in 2007.

In 2003, he was awarded the Australian Centenary Medal in recognition of his services to the financial services industry, and in 2011 he was made a Member of the Order of Australia for service to the community in raising awareness of personal finance.

Noel is now an Adjunct Professor and Executive-in-Residence with the Queensland University of Technology and a member of the Australian Securities and Investment Commission (ASIC) consumer liaison committee.

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INTRODUCTION

In *Downsizing Made Simple*, we want to guide you through the maze to a future that works for you. After a lifetime of contribution, you surely deserve to find your golden years.

Part 1 explores the choices you'll need to make to decide whether downsizing is for you, and how you might fund a change. With exercises, calculators and checklists to help put your own situation into the frame, you'll gain a clearer understanding of your options — and their pros and cons.

Part 2 focuses on where you are going to next: demystifying strata title homes, granny flats, other collaborative housing options, and purpose-designed retirement communities, with the wide range of legal and financial arrangements that may apply. We share case studies that shed light on both financial and emotional aspects of moving. And we'll let you in on a secret right now: we often hear people say their only regret is that they didn't downsize sooner. So don't be one of the pack: get clear and get going.

In **Part 3**, we explain how to navigate getting care in your own home, and outline residential aged care too, so you can plan ahead. In doing so, we bust a few myths, clarify what services exist and the timelines involved, and show you how to access good quality, good value care.

Grab a paper and pen, pour your favourite drink, and explore your future with us.

PART 1:

IS IT TIME TO DOWNSIZE?

Many people spend a significant portion of their lives creating their “forever” home, so it can come as a shock to discover that it is time to move on. While leaving often feels like the big decision, really, deciding where to go next is much more important.

There are lots of reasons why people decide to downsize. Some have an urge for a “sea change” or a “tree change” — a different pace of life — some want a low maintenance home while remaining in their current neighbourhood, some want to move closer to family or friends, some want to be more connected socially, and some are seeking luxury.

For many people, downsizing is about paying off any remaining debt, freeing themselves from endless maintenance on house and garden (no more ladders!), having lower bills and more time to spend doing the things they love. It can also be about freeing up some equity to invest, or spend, or a bit of both.

Unlike when you “upsized” your home, perhaps when you were searching for a 3 or 4 bedroom home to accommodate a growing family, when you “downsize” (or “rightsize” as we prefer to call it) you will find that there is a smorgasboard of options available to you. You may like to move to a new freehold home, a strata-title apartment or townhouse,

a retirement village or land lease community, or perhaps a granny flat or collaborative housing arrangement.

It's important not to neglect the financial aspects: what you do and how you go about it can make downsizing a financially positive move — or a financial disaster. Your choices can have wide ranging financial implications for things like how much money you will have to spend or invest, how much age pension (and other benefits) you can receive, the cost of a home care package, the amount of money left to your estate, and if your next move is to an aged care home, your ability to fund that.

You'll find several exercises in this part to help you work through your options. There are exercises to help you decide on the home, location and lifestyle that best suit you, calculators to help you understand the costs, and exercises and checklists so you are clear on the legal aspects of your new home.

1

KNOW YOUR WHY

Whenever you move house, there are decisions to make. You've done this before, and you can do it again. With a lifetime of making decisions behind you, you know that there is no right, wrong or best when it comes to downsizing: there is only the choice that best suits you. So let's get started with an exercise.

Ask yourself these questions to complete *Exercise 1*:

1. What do you want to leave behind? What irritates you about your current home? Why do you want to go? Write these in the "leave" column.
2. What do you love about your home? What are the things you want to keep? Write these in the "keep" column.
3. What do you hope for in your new home? What draws you to make a move? How do you want your new place to support your future? Write these in the "change" column.

EXERCISE 1: Why move?

Leave	Keep	Change

If you need more space, draw your own columns on any piece of paper, or download a smart PDF to print or type into from www.downsizingmadesimple.com.au.

Location, location, location

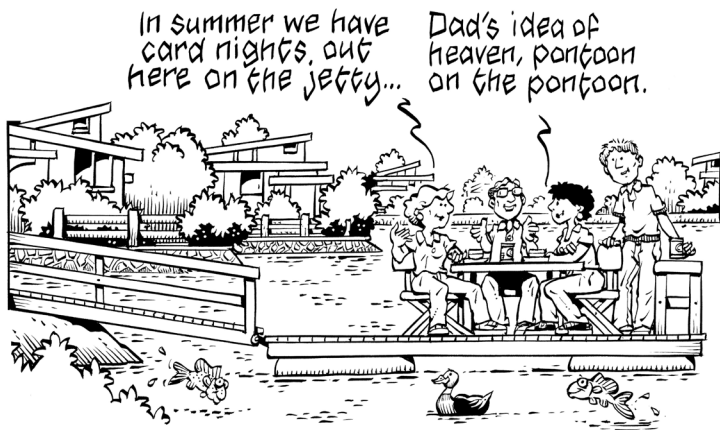
Where you live affects how you live, and it's one thing you can't change without moving again. You might have realised that you long for a "sea change" or a "tree change" ... you might crave a more luxurious lifestyle wherever you go, or simply want a smaller place close to your current home.

You know yourself. If you dream of spending hours walking along a secluded beach or days in the mountains reading a book in front of an open fire, are these things you will actually do? As you age, are your desires changing? How about your physical capabilities? As Shakespeare put it: "to thine own self be true"...

Do you want to be near friends and family? You may want to move closer — or further away from — certain people. Of course, for some people, proximity to family is an almost impossible feat, with children and grandchildren spread right across the country or the world

— though you might choose to be near an international airport if you want frequent visitors. And if you do, you may need a larger apartment or unit to accommodate the regular flow of people.

What about the conveniences around you? Do you want to be close to places where people gather? Will the noise annoy you? Would you rather be away from the action, where it is a little more peaceful?



And the question you may have been avoiding: what about proximity to care and medical services? You may be fit and active right now, but if that ever changes — if you are like the vast majority of people — you will want to stay at home, in the place you know and love. The industry calls this “ageing in place”. If this is what you would like, then ask the question: what would happen if I needed care?

If you do need care — whether temporary, perhaps to recover from an operation, or ongoing — it’s important to know how you would access those services and what they would cost. Many newer homes, particularly those

PART 1: IS IT TIME TO DOWNSIZE?

in retirement communities, are built with a view to delivering care in the future. If this is on your checklist, make sure you ask about the options, and check for things as you choose your new accommodation that may make delivery of care difficult, like narrow doorways and pokey bathrooms.

Now, let's get those thoughts on paper.

EXERCISE 2: Location, location, location

Near	Far	Not important to me

If you need more space, draw your own columns on any piece of paper, or download a smart PDF to print or type into from www.downsizingmadesimple.com.au.

Next take some time to think about what activities you enjoy doing or are hoping to enjoy doing. Few people plan to spend their lives in an easy chair watching television, but if you don't plan anything else, you may find that's what you end up doing. And consider whether you like to spend most of your time on your own, with your partner, or with a group of people ... Most of us need to get out and about every day to maintain our mental health and social ties.

If you are looking at retirement communities, in almost every brochure you will see the word "lifestyle", yet every community is different. Bear in mind that the more facil-

ities and activities the village provides the higher the on-going service charges are likely to be. This isn't necessarily a problem if you are using and enjoying these things, but if you're not, you are still paying for them. A good way to see what is on offer is to get hold of the community's social calendar and highlight the activities you would like to participate in.

It's not that different in a local community, except that all the ratepayers are helping to fund activities and facilities, and they won't all be targeted at your age group. You want activities to be there when you are interested, and to be able to retreat to your unit, or to a communal lounge or library, when you want time to relax. In a retirement village you know you won't be chased out by "young hooligans", but you may long for the vibe that comes from having children, teens, and adults of all ages living together.

Jot down your ideas about the things you want to stop doing, start doing, or keep on with in *Exercise 3*.

EXERCISE 3: Lifestyle choices

Stop	Start	Keep doing

If you need more space, draw your own columns on any piece of paper, or download a smart PDF to print or type into from www.downsizingmadesimple.com.au.

Choose your own adventure

You have an amazing range of options available to you. You may want to buy a new freehold home; move into a strata title apartment or townhouse; choose a retirement community; explore a mobile home; or establish a granny flat or other collaborative living arrangement.

Remember, there is no right, wrong or best when it comes to downsizing decisions. There is only the one that best suits you.

The accommodation itself is an important consideration, though we often tell people not to get too hung up on floor plans and colour schemes. You will need to think about what spaces you need. For some couples, for example, his snoring or her desire to watch late-night TV may mean that a minimum of two bedrooms so one can escape to a comfortable bed rather than a couch is an important consideration.

Everything is so handy here in the city, mum, I bet you guys walk everywhere.

-And you get trim and terrific instead of trapped in the traffic.



Let's have a look at the key types of accommodation and their features.

TABLE 1: Accommodation options

Accommodation type	Features
Granny flat	Often thought of as a self-contained dwelling in the backyard of someone else's home but it can be part of an existing home.
Townhouse	Typically 2–3 storeys high, often with shared “party walls” (the wall of your house is also the wall for the house next door).
Unit / Apartment / Flat	Typically, a single-level dwelling within a multi-level building that consists of other apartments, and may include communal facilities such as a lobby or gym, and/or retail facilities such as a café.
Duplex / Semi-detached home	Two homes built as a pair with a party wall down the middle separating the two.
Mobile home	A caravan or a houseboat is clearly a mobile home, but others that you may not think of, such as the homes in a land lease community, can also technically be mobile. Of course, moving one of these homes is far more involved than connecting it to a tow bar on your car.

What exactly will you be signing?

You will need to sign some sort of contract, whether you are buying your new home freehold/strata title; entering into a leasehold/licence arrangement in a retirement community; or establishing a granny flat arrangement.

The role of a contract is to set out your rights, responsibilities and costs. Your job is to work out if the contract represents what you think is a fair balance of those three things. The thing with contracts is that once they are signed they are rarely looked at until the unexpected happens and people are not sure of what to do or what their rights are in this situation.

Your contract is *really* important. It will have many consequences for: your pension entitlement; eligibility for rent assistance; money available to invest; ability to afford the lifestyle you want now and in the future; and — if the need arises — your financial position in accessing and affording aged care.

A granny flat, in particular, can be tricky. It is not “arm’s length”, may not be on commercial terms, and if it goes wrong the fallout is likely to impact the whole family. Nonetheless, it is vital that you have a contract: things can get so much worse if you don’t.

Create a table for each of the options you are considering. This can help make sure you don’t focus on just one element of the contract. Breaking it down into three time zones, before you move in, while you live there and when you leave, can also help identify exactly what happens when.

EXERCISE 4: Accommodation contract comparison

	Rights	Responsibilities
OPTION 1		
Before moving		
While living		
On leaving		

You will need a table for each option you are considering, and quite a bit more space, so draw your own columns on any piece of paper, or download a smart PDF to print or type into from www.downsizingmadesimple.com.au.

Crunching the numbers

While the purchase price of your new home may be obvious, there can be a lot more to the transaction than that.

Even if your new home is a familiar freehold or strata-title, you will need to factor in stamp duty, any ongoing owners corporation fees, and the potential for maintenance costs or special levies. In the case of retirement villages and land lease communities, there may be exit fees involving complicated Deferred Management Fee (DMF) calculations. The DMF is typically a percentage of either your purchase price (which you know) or your future sale price (which you would need to estimate). At exit, you may also be sharing in capital gain or loss with the village operator and you may need to pay for renovations, marketing fees and selling costs.

PART 1: IS IT TIME TO DOWNSIZE?

Granny flat arrangements are normally made with family members, but that doesn't mean they are free. You will still need to work out how much you pay upfront, while you live there, and when you leave. In most granny flat arrangements the exit fee is 100%, i.e. you don't get any of the amount you have paid back. In some cases, normally because of state planning laws, you may actually need to pay to have your granny flat removed and the landscaping reinstated after you leave.

Breaking the costs down by timing can really help to see what you are paying, and when. There's the *ingoing* costs, before you move in; the *ongoing* costs that you pay while you live there; and the *outgoing* costs, due when you leave. It also means that you can compare options more easily.

EXERCISE 5: Ingoing, ongoing, and outgoing costs

OPTIONS			
Ingoing			
Ongoing			
Outgoing			

You will need a table for each option you are considering, and quite a bit more space, so draw your own columns on any piece of paper, or download a smart PDF to print or type into from www.downsizingmadesimple.com.au.

Moving costs money

Moving house involves time, effort, and stress, as well as money, which means that you don't want to do it more often than is necessary.

Making sure you know your moving costs for down-sizing means that you will know how much you will have left over to invest or spend. Many people simply compare the price they are getting for their existing home with the price they are going to pay for their new one, but this is a recipe for disaster because the cost of moving can easily run to tens of thousands..

Breaking down your costs into selling, moving, and buying costs can help you to budget.

Selling costs

The big costs you need to think about when it comes to selling your home usually involve repaying debt, preparing your home for sale, and paying agents fees and costs.

The most obvious cost of repaying the funds you have borrowed is the principal, but if you are on a fixed rate home loan there can also be penalties for paying early. Make sure you ask your bank for a statement in advance, so you don't get a nasty surprise. Then there's fees for a conveyancer or solicitor to arrange for the contract of sale and lodging of other documents to enable the transfer of ownership. Conveyancing costs range between \$500 and \$2,500 at time of writing, depending on who you use and how complex the transaction is. On top of the conveyancing costs there will be disbursements, such as fees for settlement, certificates, and a range of searches, including council and water rates, roads, land tax, and heritage listings. You should allow at least \$250 for disbursements.

Making your home “sale ready” can cost you too: from big ticket items like renovations, staging furniture if you have already moved out or just need some extra pieces to create a more modern look, and possibly storage costs for furniture and items that you don’t want to display while you are selling the home.

There are fees for your real estate agent too. These typically include marketing fees to list your property on websites and in magazines and newspapers, and the agent’s sales commission, which is normally 2–3% of the final sale price. If your home is going to be sold by auction, you should expect to pay an auctioneer’s fee too: between \$500 and \$1,000 is common.

Your home will need a thorough clean after you move, something you probably won’t have the time or energy to tackle. Booking a cleaning company to do a deep clean will normally cost \$500–\$1000, depending on how many rooms you have and whether carpet steam-cleaning is also needed.

Moving costs

Packing all your things ready for the move will cost money. If you do it yourself, it may be as little as a few hundred dollars for packing materials and half a day’s truck hire, but few people have the energy to do all of that themselves. If you pack everything yourself and get removalists to load your boxes and furniture into a truck, drive over and drop it off at your new home, the cost will depend on how many boxes and furniture needs to be moved and how far it is going. You can get white glove movers, who will do everything for you: they come in and pack everything, move it to your new home and unpack it all for you. It’s a

wonderful service, and you pay a premium price for it — although some would argue it is well worth it. If you are looking at using this type of service, you should expect to pay \$5,000–\$10,000 for a local move and more if it is further away.

In a perfect world, we would all move out of one home and into the next on the same day, but it doesn't always work out like that. So your moving expenses may include rent or short term accommodation costs for the period between moving out and moving in. Of course a cheaper alternative can be to stay with family or friends, but remember that visitors are like milk: they go off after about a week.

Buying costs

The purchase price of your new home is the biggest and most obvious buying cost for you new home, but the other costs — such as stamp duty, more conveyancing costs and transfer fees — can be substantial. Another thing you will probably need to think about is the cost of new furniture and appliances: many people who downsize find that their old furniture doesn't fit or suit their new home, or they simply want to make a fresh start and keep only sentimental pieces, but get new beds, couches, tables and chairs — an exercise that can quickly add up to a major expense.

Exercise 6 steps you through estimating your sale proceeds, buying costs, and moving costs to work out how much you will have left to invest or spend (or both).

PART 1: IS IT TIME TO DOWNSIZE?

EXERCISE 6: Adding up your total moving costs

Selling		
Expected/Agreed sale value of current home	Fill in all light-coloured fields that apply to your situation, then calculate subtotals.	
Less any debt		
Net sale value		A
Renovations (if any)		
Marketing fees		
Agent's commission		
Auctioneer's fee		
Conveyancing		
Storage		
Staging		
Cleaning		
Subtotal of selling costs	B	
Total sale proceeds	A - B = C	

Buying		
<i>Expected/Agreed purchase price of new home</i>		D
Stamp duty		
Conveyancing		
Transfer fees		
New furniture, appliances		
Subtotal of buying costs	E	
Total buying costs	D + E = F	F
Moving costs		
Removalist fees		
Transferring utilities		
Rent/Temporary accommodation		
Total moving costs	G	
Funds remaining to invest or spend	C - (F + G) = H	H

If you'd rather have the calculations done for you, use the calculator provided at www.downsizingmadesimple.com.au.

Try before you buy

ing of moving in with one of them — and their partner — perhaps you should give it a whirl before you commit. The family dynamics will be completely different, particularly as you are no longer the head of the household, and everyone needs to make adjustments. Even though the granny flat space may not yet exist, it's wise to give yourselves an experimental time of sharing your day-to-day lives — more than family holidays, house or pet sitting, or Sunday dinners.

Similarly, if your next move is to a new community — whether that's the result of a tree change, sea change or a move to a retirement community — then it may be wise to rent for a period of time before you commit to buying. The place where you have always enjoyed your Christmas holidays may not be the place you want to live in the middle of winter, when there aren't as many people around and the weather isn't very good. Some people say that “rent money is dead money,” but if you rent for 6 or 12 months and realise that it really isn't for you, the cost is likely to be a fraction of what it would have been if you had sold your home, moved, and then moved again.

If you're trying to find the right retirement community, the biggest dictator of your ability to enjoy the village is probably going to be something you can't see or touch — to quote that great Australian movie *The Castle*: “It's the vibe”. The vibe of the community can be hard to gauge from guided tours and brochures, because it comes from the daily interaction with other residents, their interests, life experiences and topics of conversation. Many retirement communities have open days and social functions

that people considering moving to the village can attend. Do it — as this will be the best test for whether you will enjoy living in the village.



Some retirement communities let people “try before they buy”. If this option is available, seriously consider moving in for a short stay (the time frames on these offers vary from a weekend to a 12-month lease) with a view to buying in if you are happy. If you are moving a significant distance from where you currently live — for example, escaping the cold southern states for the blue skies and sunshine of Queensland — make sure you experience the “off season” (the peak of Queensland’s summer), so you are sure you will really enjoy living in the new location.

Retirement communities

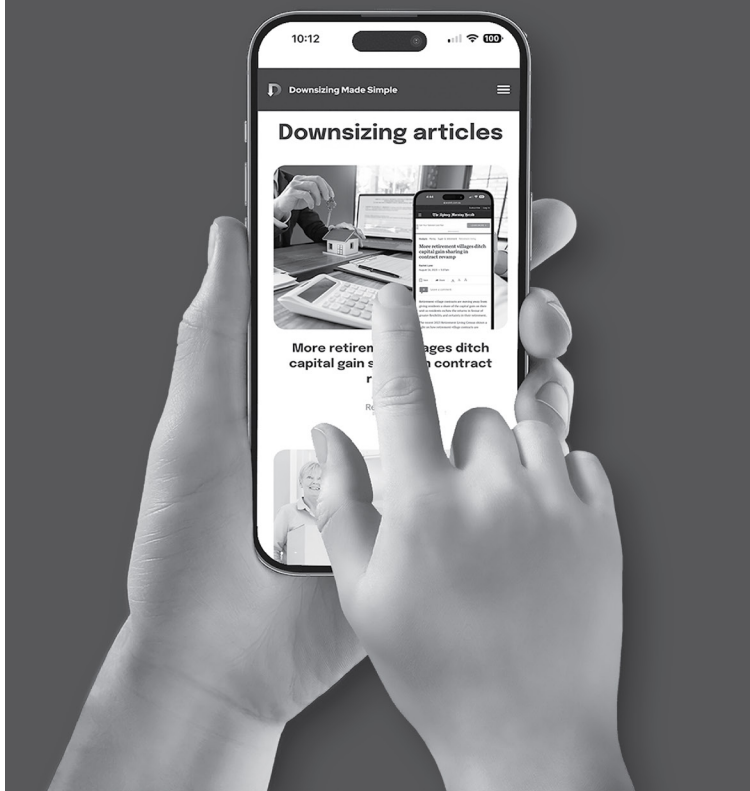
Determining whether you can afford to live in your preferred retirement community is about much more than comparing the amount of money you will get from selling your home with the amount you are going to pay for your new home. The type of retirement community you

select will affect whether you are considered a homeowner or non-homeowner for pension purposes and whether or not you will be eligible for rent assistance. If you live in a land lease community and receive a pension, you may be eligible to receive rent assistance (an added bonus) to help meet the ongoing fees. If you live in a retirement village, then you can qualify for rent assistance if you pay an amount equal to or less than \$242,000 for your home. In either case the amount of rent assistance you will receive is based on the ongoing costs of living in the community.

Your ongoing costs really have two components: your cost of living (food, utilities, clothing, car maintenance, as well as big ticket items like travel) and the costs associated with living in your home and community. Doing a budget that accounts for all expenses is a good idea.

While you may not be concerned today about what you will get back (and how soon) when you leave the village, it is worth giving some thought to. If you need to estimate a sale price in order to calculate your exit entitlement, our tip is to be conservative. Once you have an idea of your exit entitlement, think about whether that amount of money is likely to mean that you can afford another move, should that be necessary.

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Your Village Essentials Report

Retirement Communities, just like the people that live there, come in all different shapes and sizes.

They also offer a range of lifestyle choices from those seeking an active lifestyle to those who need care and support to continue living independently — and everything in between.

It may sound costly, but when it comes to choosing the right one for you it's all about the value — getting to know how the community operates, the activities on offer and speaking to the people who live there is more than just coffee and scones, it's valuable research in finding which community suits YOU.

There are lots of different terms used by retirement communities, from the traditional "Retirement Village" or "Over 55s Community" to the more contemporary "Gated Community", "Lifestyle Resort" and even "Aged Care". Financial arrangements can be hard to compare, as they are often different from one village to another and even within the same village.

This report contains useful information for the Retirement Community you are considering.

www.villageguru.com.au

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The information provided in this report is purely factual in nature and does not take into account your personal objectives, situation or needs. It is not intended to imply any recommendation, opinion or advice. You should seek advice from a qualified professional about your particular needs, financial situation and objectives. Neither Village Guru or Aged Care Gurus hold an Australian Financial Services Licence (AFSL) and do not provide financial advice. We can refer you to a network of advisors that specialise in this area and who are authorised to provide financial advice.

A **Village Guru Report** shows you the costs of moving to, living in, and leaving a village, together with estimates of your age pension and rent assistance entitlements. It can compare up to three options side-by-side so you can make your move with confidence.

Find a village

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