



HAPPY LIVING: Marjorie Catford, centre, moved into the new Hayfield Plains retirement village at Balaklava four months ago and says she enjoys its new facilities "very much". The 83-year-old is pictured with fellow residents Lola Weckert, left, and Bruce and Judith Moffatt.

Complex choices for care

MALCOLM CAIRE

ENTERING residential aged care can be a financially complex area.

There are two distinct levels of care with different fee structures. High care facilities, or nursing homes, have daily fees and an accommodation charge, while low care facilities – commonly known as hostels – are often the first entry point for people who find it difficult to live without some form of specialised care.

Hostel facilities also have daily fees but often charge a once off accommodation bond.

An accommodation bond is effectively an interest free loan that the resident makes to the aged care provider which must be repaid when the resident leaves the facility or passes

explained ?

away. The amount can vary according to each facility, and the assets and age pension status of the resident.

The resident must be left with a minimum asset level, and a common bond amount charged is up to \$125,500 as this is the level where aged care providers receive the maximum government subsidy.

The aged care provider is allowed to take a retention amount from the bond for up to five years. The maximum retention amount is \$3282 yearly or \$273.50 monthly.

Accommodation bonds were previously counted towards the Centrelink assets but became an exempt asset in 2005, ensuring many aged care residents should receive more age pension entitlements.

Also, there are now more options and flexibility for residents and their families who don't want to sell the principal family home to fund an accommodation bond.

Another popular way of funding an accommodation bond is by way of a reverse mortgage or equity release loan from certain lenders who do not require the owner of the home to actually live there.

Malcolm Caire is a wealth management & reverse mortgage adviser at Retirees Equity Financial.

\$20bn building boom on way

Giant investment companies are beginning to flex their muscles in the fast-growing retirement village sector, as Smart Money Editor ANTHONY KEANE reports.

A BOOMING retirement village market is set to deliver benefits to both investors and village occupants.

As the ageing population grows and demands a better lifestyle than its predecessors, the retirement village sector is changing rapidly into a new wave of developments.

Companies such as GE Macquarie Bank, Babcock & Brown and even AMP are aggressively moving into the market with deals worth hundreds of millions of dollars.

And people wanting to move to a retirement village are faced with more choice than ever before – ranging from rural properties to luxury accommodation similar to a five-star hotel.

The managing director of Adelaide-based retirement village developer Omega SeniorCare, Bill McClurg, said the sector was "changing enormously quickly".

"From an investment point of view it has moved from being an oddity to mainstream," Mr McClurg said. "Babcock & Brown and Macquarie

Bank have discovered aged care and retirement villages as being something worthwhile for long term investing.

"It's now become almost flavour of the month."

But the sector's popularity was driving out small investors wanting to buy or build their own village, he said.

"The big investors are coming in and paying more for it."

"For a small investor point of view it is not really an option. It's a simple business but also a complex business, but if you try to run it as a hard money investment, the people side goes and you hurt yourself."

Omega SeniorCare is developing a luxury \$90 million, 219-apartment complex – The Ashbrook – at Ashford. The complex includes a roof-top terrace, barbecue and dining room, conservatory, library, private cinema and a sports bar.

One couple enjoying the benefits of upmarket retirement village living are Reg and Loris Stuckey of Glenside.

"It's not a bad way to live," said



STYLE: Loris and Reg Stuckey in their apartment at Glenside. Senior citizens will demand quality accommodation in the years ahead.

Picture: SARAH REED

Mrs Stuckey, 76, of their apartment at Omega's The Glenbrook village, which they moved into six years ago after being involved in the design of their home.

"It's like walking into a five-star hotel. Everything looks elegant."

"There are people here in their '90s. We use it as an apartment, but as we get older our needs will get higher so we will grow into it."

Another trend in the retirement village industry is expansion into rural areas as people seek a more relaxing lifestyle.

Life Care, a not-for-profit agency of the Churches of Christ, has opened a \$5.5 million retirement village in Balaklava and is examining other rural areas for future villages.

Life Care business development manager Lyn Polley said the organisation was looking at Port Wakefield as a potential site.

Ms Polley said the trend of city retirees seeking smaller, modern, low-maintenance properties had spread to regional areas.

"They are speaking up and demanding a range of housing options



LUXURY: Interiors of some new villages resemble five-star hotels.

that haven't been there before," she said.

"There are a large number of people who never thought of investing in the retirement market. All of a sudden it's very attractive because the number of people reaching retirement age is larger."

Almost \$20 billion of new retirement village developments are required over the next 20 years as the number of Australians over 65 doubles.

"It all comes back to the baby boomers," said Adelaide financial

strategist Theo Marinis of Marinis Financial Group. "Anything that's related to the ageing of the population is going to be a major opportunity."

However, investing in the retirement village market is not simply a case of parking your money and waiting for it to grow.

Some investors have lost thousands of dollars in recent years in their investments in retirement village companies. The most memorable is Melbourne-based Primelife Corporation, which has lost more

than half its value on the stock exchange since 2004.

Primelife has been mired in controversy, including an unfair dismissal case brought by company founder Ted Sent. One of South Australia's most successful businessmen, Robert Champion de Crespigny, was chairman of Primelife before resigning in July after he moved to Britain.

However, Primelife has rebounded from its lows, and last month announced a net profit of \$6.16 million for 2005-06, compared with a \$37.52 million loss previously.

Whatever the future of retirement village investments, the sector is certainly destined to grow, and retiring baby boomers will demand more of operators.

Omega SeniorCare's Bill McClurg said a good quality lifestyle was one of the smartest investments people could make in their later years.

"I have a view that the day we die, we make the biggest spend of our lifetime. We spend everything we have, yet get nothing more than a fancy funeral."

Adelaide reverse mortgage specialist Bob Byrne said the number of people applying for the products in South Australia was growing steadily.

"When this product was first released, it took a little while for people here to warm to it," said Mr Byrne, of Ray Hampson Finance.

"If you consider that Adelaide and South Australia has the highest percentage of people over 65, one might think that reverse mortgages would have been more popular here than in other states. That has not been the case and although we are still behind Sydney and Melbourne, the numbers are now on the increase."

Reverse mortgages highlight concerned children

ANTHONY KEANE

RAPID growth in Australia's reverse mortgage market is being fuelled by some adult children encouraging parents to spend their inheritance.

The executive director of reverse mortgage industry group SEQUAL, Kieren Dell, said it was believed that up to 40 per cent of new reverse mortgages were the result of adult children urging their parents to take action.

"They see their parents struggling, not turning the heater on, eating dog food, and say 'why don't you take it out of my inheritance and borrow from this house that you are sitting on?'," Mr Dell said.

Reverse mortgages enable cash-poor retirees to use some of the equity in their homes to provide cash to improve their retirement living standards.

"The forty-somethings are quite interested in this area because they are trying to deal with the growing problem of supporting their parents," Mr Dell said.

He said research by Data-monitor found that in 2004, there was \$250 million of new reverse mortgage loans. In 2005 that had jumped to \$650 million.

"You would expect it to be more than \$1 billion this year."

SEQUAL represents 11 reverse mortgage providers, including the Commonwealth Bank, St George Bank and Bluestone.

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