

# Purchasing a Retirement Home - a layman's guide

The following are merely a few questions you should ask yourself.

They may or may not be applicable to you.

There could be many other queries you may have, and asking before contracting is the wise thing to do.

## 1. OWNERSHIP QUESTIONS

- 1.1. Type of ownerships available: (Share block, Life Right, Sectional Title, Full Title)
  - 1.1.1. Share block – You own shares with an agreement entitling you to occupation of a section or unit
  - 1.1.2. Life Right - You are paying one large pre-paid rental entitling you and your spouse to lifetime occupation with some form of refund on the death of the last survivor or prior sale of the unit (You have no title deed)
  - 1.1.3. Sectional Title – You have a full title deed and ownership entrenched i.t.o. the Sectional Titles Act amongst others. Village rules apply, and you should be au fait with these prior to purchasing.
  - 1.1.4. Full Title – As commonly understood with a title deed but subject to the rules of the village.
- 1.2. Purchase documentation: Is a copy available to be scrutinized by you or your attorney.
- 1.3. Trustees: What qualification and or experience do they have?
- 1.4. Copy of the rules: Can you take away and study these - even if you have to pay for a copy?

## 2. RIGHTS AND REQUIREMENTS

- 2.1. Make sure you understand what your rights will be in terms of your type of purchase. This is the realm of legalities and specific laws play an important role in the lives of residents. Retirement Villages developed in terms of The Housing Schemes for Retired Persons Act (Act 65 of 1988) gives stringent requirements for developers, and rights to purchasers.
  - 2.1.1. When purchasing share block extreme due diligence is recommended because your rights are not necessarily in the same category as when

you purchase in terms of other types of ownership – it is a business deal with the Companies Act (Act 71 of 2008) playing a major role)

- 2.1.2. Life Right operates on the basis of splitting bare dominium and usufruct. A purchase of life right is possibly best described by understanding you are acquiring a usufruct with specific conditions outlined in your purchase document which is essentially your “Title Deed”.
- 2.1.3. A purchase of a Sectional Title unit gives you a large amount of legal framework in terms of the Sectional Titles Act (Act 95 of 1986) its amendments, the Sectional Titles Schemes Management Act (Act 8 of 2011), and The Community Schemes Ombud Service Act (Act 9 of 2011)  
[The spelling of the word Ombud was incorrectly gazetted as per above]
- 2.1.4. Individual Title (sometimes called Full Title) is more familiar to most people because they have grown up with this type of property ownership. In a Retirement Village, there are rules which are for practical purposes very much like Municipal bye-laws. One should be aware of these and go through them carefully.
- 2.1.5. Make sure you ascertain what insurance cover you will have to acquire, because the requirement can differ according to property type.

### **3. INFRASTRUCTURE**

- 3.1. Gated communities are responsible for the maintenance of infrastructure within their boundaries. Naturally there is a cost associated with this.
- 3.2. Do the roads and other infrastructure appear to be in good order? Refer to MAP below under Financial questions.
- 3.3. Future planned developments or extensions to the facilities could have a significant financial implication, which may even affect levies. Ask if such matters are on a drawing board.
- 3.4. Is there an emergency power and water supply for the communal kitchen? In the event of water rationing or power cuts, this could become important.
- 3.5. What type of security is provided currently (fence, walls, electric fences, manned access, video cameras etc.) If not adequate – are improvements envisaged and how will they be financed?

### **4. INTERNAL RULES AND REGULATIONS**

- 4.1. Are owners entitled to priority access to frail care if outside patients are also accommodated?
- 4.2. Are there smaller premises also available (if on the market) which may be closer to the main facilities?

- 4.3. If you acquire a property, can it be let out, and if so,
  - 4.3.1. Are there restrictions on tenants which do not apply to owners?
  - 4.3.2. Is a written acceptance by the lessee of the Village rules required prior to allowing occupation as a prerequisite to the lease?
- 4.4. Are animals allowed? and what restrictions apply to what is allowed?
  - 4.4.1. If yes, are replacement animals allowed?
- 4.5. Are regular health check-ups for residents done and is there an additional cost?

## **5. FRAIL CARE AND ASSISTED LIVING**

- 5.1. Assisted Living: Is home help available with a menu of services without necessarily requiring a move to a frail care center?
- 5.2. Is there a shop in the Village providing facilities to purchase emergency supplies?
- 5.3. Are the grounds wheelchair friendly? (Think resale)
- 5.4. Is a social worker part of the Frail Care staff?
- 5.5. Is the Frail Care contracted to an outside service provider?
- 5.6. If not, the complications and professional staffing could make running the operation an Achilles heel for management.
- 5.7. Does the Frail Care contractor have an accreditation with Medical Aid Funds? (A major plus factor)
- 5.8. Is there a separate facility for dementia patients? (A big benefit, but it costs) You hope you will not need it, but what if ...?
- 5.9. Have you made separate provision for emergency medical expenses? This is also applicable outside Retirement Villages.

## **6. FINANCIAL**

- 6.1. Price: For similar properties in similar areas with similar finishes the price should roughly be on a sliding scale downwards from full title.
- 6.2. Levy: Amount and growth history very important – see following point.
- 6.3. Does the levy include a contribution to the Frail Care? A monthly contribution is like a medical insurance if you have to claim / use.
- 6.4. Type, cost and expected escalation of frail care cost projected.
- 6.5. Availability of financials including MAP (Maintenance plan expenses & reserves)
- 6.6. % Relationship between living units and Frail Care rooms. E.g. 400 units and 20 beds = 5%. Higher % is good if you need facilities but a higher % costs much more.

## **7. FACILITIES**

- 7.1. What is available: Main Kitchen, Dining Room, Meals, Admin. Office, Ladies Bar, Braai Area, Hairdresser, Sport / Recreational facilities, other?

## **8. LOCATION**

- 8.1. Proximity to Hospitals?
- 8.2. Proximity to major shopping centers?
- 8.3. Proximity to public transport?

## **9. PERSONAL**

- 9.1. Have you spoken to your family and are they happy about you moving?
- 9.2. If you have a vehicle, what happens when you can no longer drive?
- 9.3. Is parking within easy reach? Is there enough visitor parking?
- 9.4. Will you want to carry on your social activities and hobbies? Some hobbies, like repairing motor cars and woodworking with machines may not be allowed in terms of the rules. Check your interests against the rules.

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**2019**