Hon Tama Potaka

Associate Minister of Housing

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Faster and fairer retirement village repayments

The Government is strengthening protections for retirement village residents through faster repayments, earlier access to money, fairer contracts and stronger minimum standards, Associate Housing Minister Tama Potaka says.

“We have listened carefully to older Kiwis and their whānau, and we are acting.

“The maximum repayment period will be shortened from the 12 months we had initially indicated to nine months, and operators will have to pay a resident who is moving 10 per cent of their net termination proceeds within four weeks rather than interest after six months.

“We’re strengthening it because older Kiwis told us the balance needed to shift further towards residents.

“They told us 12 months was still too long and that interest after six months would not provide meaningful help when money was needed most. We listened and strengthened the package.”

The automatic 10 per cent payment will replace the previously announced interest requirement.

“This is a simpler and stronger package that gets meaningful money into residents’ hands sooner,” Mr Potaka says.

A resident buying an average-priced retirement village villa in 2028/2029 could expect the initial 10 percent payment to be around $60,000 when they move out.

“That is real money when someone is moving into aged care or another home and is facing immediate costs,” Mr Potaka says.

“It will give older Kiwis and their whānau money sooner, and certainty about when the rest will arrive.”

The Government considered calls for a three-month repayment deadline but modelling found this could require the sector to hold or have access to between $3.2 billion and $4.1 billion and, crucially, could add up to about $118,000 to the cost of entering a village if all costs were passed on to residents.

“I looked closely at the three-month option, but the evidence is clear. It could get one person paid faster by making the next pay considerably more,” Mr Potaka says.

“I will not make a promise that sounds good but risks higher costs, reduced services or fewer choices for older Kiwis.

“Nine months strikes a fair and responsible balance. It gets residents their money sooner while protecting the affordability and viability of retirement village living.”

The Government will also retain the hardship pathway and other agreed exit protections for residents, including stopping weekly fees and fixed deductions after an occupation right agreement ends.

“Operators will still have to take all reasonable steps to enter into a new occupation right agreement for a former resident’s unit in a timely manner and at the best price reasonably obtainable. They will also be required to provide regular updates and obtain a valuation if the unit has not been relicensed after six months.

A more efficient and effective dispute resolution system will be introduced for cases where operators are not meeting their obligations.”

The 10 per cent upfront payment requirement will not apply to villages with fewer than 50 units – which is about 10 per cent of all villages. Exemptions will also apply where the resident controls the sale and price, the outgoing resident or their estate receives at least half of the capital gain, or the village is in receivership.

The Retirement Villages Amendment Bill will be introduced in the next Parliamentary term, and the new repayment requirements will apply to occupation right agreements signed one year after the legislation comes into force.

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