

Understanding Retirement Village Fees and Contributions

Choosing to live in a retirement village involves more than just selecting a home – it also means understanding how the financial arrangements work. Different villages use different models for contributions and fees, and knowing the basics can help you plan your move and avoid surprises later. This section explains three key concepts: the **Entry Contribution Model**, the **Deferred Management Fund (DMF) Model**, and the **Capital Fund Contribution**. Each plays a role in how much you pay when you move in, how fees are calculated while you live there, and what happens to your money if you decide to leave.

Entry Contribution Model

What it is: When you move into a retirement village, you pay an entry contribution (sometimes called a deposit or purchase price) to “buy into” your home or unit.

- **How it works:**
 - You pay this contribution upfront.
 - This gives you the right to live in the unit for as long as you choose.
 - If you leave, most of this money is refunded, although some fees may apply.
- **Who it suits:** People who can afford to pay a larger upfront amount for security and independence.

Deferred Management Fund (DMF) Model

What it is: The DMF is sometimes called an “exit fee.” It is a fee that the village deducts when you leave your unit.

- **How it works:**
 - You pay an entry contribution when moving in, just like in the first model.
 - When you leave, the village keeps a percentage of that entry contribution as a DMF.
 - The percentage usually increases the longer you live in the unit (for example, 1–5% per year).
 - The remainder of your contribution is returned to you or your estate.
- **Why it exists:** The DMF helps the village cover ongoing management costs, maintain facilities, and support future residents.

Capital Fund Contribution

What it is: This is a contribution to a reserve fund used for long-term repairs and improvements in the village, like painting buildings, replacing roofs, or fixing lifts.

- **How it works:**
 - When you pay your entry contribution or exit fee, a part of that money can go into the capital fund.
 - This ensures the village can maintain the facilities for all residents over time.
 - There is usually a cap on how much can be taken (e.g., a fixed percentage of your unit’s value).
- **Applies to both models:**
 - In both the Entry Contribution and DMF models, the capital fund contribution is deducted from the amount you get back when you leave.
 - The difference is that the DMF is mainly for management/operational costs, while the capital fund is for maintaining and improving the property long-term.

